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ECONOMIC DEVELOPMENT STRATEGY

FOR YUKON

FOR THE 1980's

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ECONOMIC DEVELOPMENT STRATEGY FOR YUKON FOR THE 1980'S

1.0 INTRODUCTION

Crippled by the cumulative direct and indirect effects of recent mine closures, the Yukon economy is undergoing a crisis. Cyprus Anvil's lead-zinc mine, located at Faro, the second largest community in Yukon, closed on June 4, 1982. This was followed by the closure of the United Keno Hill lead-silver mine at Elsa on July 15, the Whitehorse Copper mine in December and, in January, 1983, the Cantung tungsten mine which, while located in the Northwest Territories, depends on Yukon for access. These closures have led directly to the loss of some 1,200 jobs. They have had negative impacts throughout the economy, the most important of which has been the closure of the White Pass and Yukon Railway, which has historically been the most important access route to and from Yukon for freight traffic. In response to the crisis in mining, and the pessimism which has affected most sectors of the Yukon economy, as many as 5,000 people may ultimately leave the Territory.

The implications of the direct and indirect loss of jobs for federal government finances depend upon the rate at which the unemployed find other jobs. Under a reasonable set of assumptions, the loss to the federal government of personal

income tax revenues, reduced contributions to the Unemployment Insurance and Canada Pension Plan funds, and increased Unemployment Insurance benefits have been estimated to be $33 million over a two-year period. The federal government has already contributed an additional $7.3 million to the Government of Yukon to meet its growing shortfall resulting from the collapse of the mining sector.

In light of the current crisis, there is clearly a need for a strong program that will halt the slide of the Yukon economy, provide a basis for recovery, and promote the development of a sounder and more stable economy that is less vulnerable to external shifts in demand.

The purpose of this document is to suggest an economic development strategy that will lift Yukon out of its present economic malaise and put the economy on to a stable and permanent economic development path. The present economic circumstances have clearly shown the inherent structural defects of the economy. The strategy outlined here thereby represents a blueprint for economic development in Yukon during the 1980s.

It is clearly desirable that a way should be found of putting an end to the boom-bust syndrome that has plagued Yukon's economy. Sharp falls in economic activity create considerable hardships for individuals and businesses. Large scale

unemployment is not only socially distressing but also represents a massive waste of human resources. Companies spend years building up their business at considerable expense, only to find their time, money and effort is wasted. Governments build up infrastructure and services during good times, only to find them underutilized in bad times -- again, representing a waste of resources. Although mining will continue to be an important feature of the economy, efforts must be made to diversify the economy away from mining in order to reduce the violent fluctuations of the past. There are a number of opportunities in the areas of renewable and non-renewable resources, manufacturing and tourism that, if properly developed, could go a considerable way towards achieving this diversification.

There are many factors at work in Yukon that make it unlikely that the private sector can diversify the economy of its own accord. Therefore, government will have to play the lead role in working towards diversification.

However, economic diversification is not the only goal to strive for. It is equally important that <u>all</u> Yukoners should have the opportunity to participate in the Territory's economic future. Natives, in particular, have not had the opportunity to participate freely in past economic activities in a manner compatible with their life styles and aspirations.

Both federal and territorial government departments will be responsible for implementing the strategy. Some elements will be implemented under existing policies and programs. Other elements will be implemented under new policies and programs (for example, the forthcoming federal northern mineral and energy policies). Finally, it is envisaged that a significant portion of the strategy will be implemented under a cost-shared Economic Development Agreement (EDA). The federal share of program costs will be met out of the Regional Fund. Programs implemented under the EDA will be in areas where there is no existing programming framework, or where existing programs have insufficient financial and manpower resources. The EDA will be the successor to the General Development Agreement that expired in March, 1982, and which proved to be an effective way of delivering development-oriented programs.

The EDA will be along the same lines as the GDA. However, it will be much larger in scope and content, and will be negotiated on the basis of a comprehensive economic development strategy. Programs will be implemented within an overall framework with each program having a clearly defined relationship to the strategy as a whole and to other programs, both within and outside the auspices of the EDA. Programs will therefore be carefully coordinated with each other. Both this document and the subsidiary agreements which will be negotiated under the EDA will be subject to the annual review that is required under the Program Expenditure Management System (PEMS).

Section 2 of this paper outlines the goals and objectives of government initiatives with regard to socio-economic development in Yukon. Section 3 provides an analysis of the structure of and performance of the Yukon's economy and a discussion of the factors affecting growth and development in Yukon. Section 4 outlines the potential economic opportunities available to Yukon this decade. Section 5 outlines an economic development strategy which shows how government should reach its economic development objectives. Section 6 then focuses on the programs that should be implemented during the next five years under the strategy and the financial implications of these programs. The programs outlined are only those which would be implemented under an EDA. Elements of the strategy not implemented under the EDA will hopefully be implemented under other programs. Section 7 proposes an administrative structure to implement the sub-agreements that will be signed for each program. Section 8 outlines the economic benefits of an Economic Development Agreement. Finally, Section 9 provides a conclusion.

The document is the product of a cooperative effort involving all federal departments which have program delivery responsibilities in Yukon, the Yukon Government and the Council for Yukon Indians (CYI).

2.0 GOALS AND OBJECTIVES

The underlying principle of an economic development strategy through the 1980s should be the encouragement of a balanced approach to development and growth of Yukoners.

Sustained growth is essential as it provides the foundation for increasing the real value of goods and services in the economy and for providing new opportunities for employment and income generation. Growth will also provide an increased tax base, thereby enhancing the economy's financial viability and reducing its large dependence upon Federal assistance. Growth will allow Yukon to maximize the utilization of its existing infrastructure and thereby reduce its per capita cost.

Concurrently, development is mandatory as it creates the changes in the structure of the economy necessary to provide a stable mix of employment and business activity in the region and ensure all Yukoners have an opportunity to take advantage of growth potential. Development will bring about the diversification of Yukon's economic base, thereby encouraging long term population growth and reducing the present violent fluctuations endemic in the economy. Development will provide the structural changes required to reduce the social and economic costs associated with underemployed and unemployed human resources in the Territory.

Development will provide government and the private sector the opportunity to make available a higher and more sophisticated level of public and private goods and services. Finally, development will provide a higher quality of life with a greater variety of life style options.

Growth and development are inseparable. Growth without consideration of development results in exploitation of resources without consideration of the people. This has been the past experience of Yukon and is intolerable. However, development cannot occur without growth as growth provides the opportunities for creative use of all of the resources of Yukon. In any programs developed these twin purposes must always be kept in mind.

In attempting to provide a balanced approach the following inter-related goals have been identified, namely:

1) to facilitate the orderly expansion, diversification and permanent stability of Yukon's economy;

2) to ensure that Yukon residents derive significant benefits from and have active participation in all available economic opportunities in Yukon;

3) to facilitate the orderly evolution of Yukon to fully responsible government.

In order to attain these goals, the following objectives have been defined for this decade:

a) to increase the number and variety of economic base activities on all scales through government and private investment;

b) to increase the number of Yukoners with gainful employment in the wage sector of Yukon's economy. Particular emphasis will be made to increase the employment rate for Yukon's disadvantaged residents;

c) to increase the incomes accruing to Yukoners and Yukon businesses from the exploitation of Yukon's resources through strengthened backward and forward linkages and further processing of resources;

d) to ensure an equitable distribution of opportunities throughout Yukon;

e) to expand and strengthen the economic base and social stability of Yukon's existing communities, with particular emphasis on strategic regional communities;

f) to enhance the quality of life in all Yukon communities by improving the quality of community and regional infrastructure and services, and by providing a variety of life style options, while protecting traditional life styles;

g) to ensure that all growth and development takes place with due regard for the environment;

h) to achieve a degree of self-sufficiency in the production of renewable resources, thereby reducing Yukon's almost total dependency on the south; and

i) to increase the tax base and fiscal capability of Yukon, thereby reducing Yukon's dependency on federal equalization payments.

3.0 ANALYSIS OF ECONOMIC CIRCUMSTANCES

The first part of this section discusses some of the reasons why Yukon's economy has not developed. The second section describes the structure and the recent economic performance of Yukon's economy. The economic forecast for the next year is briefly presented. The third section describes some of the initiatives that government has undertaken to stimulate development.

3.1 Characteristics of Yukon's Economy

Yukon's economy does not possess the developed structure of more advanced economies. It is characterized by extreme dependence on one sector, poor economic linkages between economic sectors and communities, an almost total absence of

any manufacturing industry and, as a result, a very high 'leakage' factor caused by the need to import all the requirements of households and industries. Reasons for this state of affairs include the past instability of the economy, high costs, seasonality of activity and a small population.

Development and growth in Yukon's economy has historically been weak and unstable. The gold rush of the 1890s, the building of the Alaska Highway and the performance of the mining industry over the last decade have all been marked by periods of short tremendous economic activity, followed by extended periods of recession. The most recent period, 1979-1982 was marked by a boom in placer mining, mineral exploration and a rapid expansion of Cyprus Anvil's work force, followed by a complete collapse of Yukon's three major mines and a large downturn in placer mining and mineral exploration.

The instability of the economy is the result of a number of factors:

a) Narrowly Based Export Oriented Economy

The economic base of a region can be defined as those economic sectors from which other economic activities are ultimately derived. The demand for the product of an

economic base industry is usually determined exogenously from outside the region in the form of exports.

In Yukon mining, tourism, forestry and hunting, fishing and trapping constitute the economic base of the Territory. These industries generate the retail trade, wholesale trade, transportation, construction and service industries. All these activities provide the rationale for the provision of government services. Government in fact is the largest employer in Yukon, with 40% of total employment. It is not a base activity, except in the short run when government expenditures can help to offset potentially destabilizing declines in primary sector activity.

Yukon has a very narrow economic base which is dominated by the mining industry. Mining directly contributes 25-35% of the Gross Territorial Product. When indirect effects are taken into consideration it accounts for over 50% of GTP. The dependence of Yukon upon mining is accentuated by the very small number of major hard-rock mines. Now that Whitehorse Copper has closed, United Keno and Cyprus Anvil would, if they were open, account for 7% of total employment in mining. The recent closure of Whitehorse Copper has further limited the very small range of metals produced to lead, zinc, gold and silver.

Although tourism is a base industry, it is dependent on the health of the mining industry to an extent as the service sector that supplies tourists with goods and services derives much of its year-round revenues from the mining industry. After mining, tourism is the second most important industrial sector. It consists of over 500 businesses, employing about 15% of the labour force directly and indirectly. When multiplier effects are included, tourism contributed 10-15% of GTP even before the cessation of hard-rock mining.

Forestry at present only contributes 1% to Yukon's GTP, although its contribution to the economy of Watson Lake is much greater. Forestry is only partially an economic base, export oriented industry as 55% of its product is sold within Yukon, particularly to the mining, construction and wholesale trade sectors.

Existing parallel, and somewhat incidental, to the modern economy are the traditional activities of trapping, hunting and fishing. Many of Yukon's natives, and some non-natives, rely on these activities for subsistence and cash income to a significant extent. The value of fur production, most of which is in Native hands, was $927,000 in 1978-79.* Estimates of the value of

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* DIAND., Land Use Planning in Northern Canada. Draft (October, 1982), p.83

subsistence hunting and fishing have been attempted but have not proven reliable. However, the contribution to GTP is estimated to be very small, less than 1% of GTP.

The narrowness of the economic base and its domination by the mining industry means that shifts in mining activity have profound and destabilizing effects on the economy.

b) Fluctuating Export Markets

Yukon's narrow economic base leaves the Territory very vulnerable to changes in external market conditions. Markets for natural resources are notoriously volatile. Changes in world industrial activity are soon reflected by changes in metal prices. Political and economic uncertainty in the world is often quickly translated into speculative movements in gold and silver prices.

Figures 3.1 and 3.2 illustrate movements in metal prices since 1976 in both nominal and real terms. It is clear that metal prices have shown considerable fluctuation with a peak being in 1979-1980, followed by a slump which still has not ended.

The performance of Yukon's mining industry is mirrored in these price movements. During the years 1976-1977, employment was constant. In 1978, Clinton Creek closed, as a result of low asbestos prices. From 1980 to 1981,

the hard-rock mining industry showed steady expansion, particularly Cyprus Anvil. However, in 1981 metal prices started to slide and all three mining companies incurred heavy losses. In 1982 all three companies closed down. Placer mining activity expanded considerably between 1977 and 1980, with the number of leases rising from 123 to 941. A record amount of gold was mined in 1981 (95,000 oz.). However, the fall in gold prices in 1982 was reflected by a 30% fall in production and the loss of 160 jobs. Mineral exploration increased significantly with expenditures reaching $50 million in 1981. However, lower metal prices in 1981 reduced company cash flows resulting in the severe curtailment of exploration programs in 1982 to less than half of the activity in 1981 ($22 million). This resulted in the loss of at least 40 jobs.

Forestry is also very sensitive to changes in economic conditions. Swings in economic activity and interest rates are rapidly felt in the construction industry. Forty-five percent of Yukon's lumber is exported, mainly to Alaska. The high level of construction industry there from 1979-81 fared well for Cattermole Timber, Yukon's main forestry employer. However, the Alaskan markets were dramatically reduced by 1982 causing Cattermole to remain shut down for much of the year, with the loss of 60 jobs.

Although the tourist industry is largely export-based, its external markets are not as sensitive to changes in economic conditions as the resource industries. One reason is that many tourists are retired and therefore on fixed incomes. Another reason is that they are middle-aged professionals at medium or high incomes and are therefore less sensitive to changes in the economy. A further reason is that Yukon has been successfully promoted as a destination area over the past few years. Tourism expenditures were only marginally lower in 1982 than 1981 ($50 million) despite the deep recession.

c) External Domination of Yukon's Economy

Yukon's economy has always been characterized by a high degree of mobility from the south in response to economic opportunities. Influxes and exoduses of population accentuate the boom and bust nature of the economy. Statistics Canada figures show that 5,000 people enter and leave Yukon each year, representing 25% of the non-Indian population.

Yukon's economy is dominated by a few large southern-based resource companies. What these companies decide to do, or not to do, can have major impacts on the rate of growth of Yukon's economy. These companies

(amongst them are Amax, Placer Development, Falconbridge, Hudson Bay) control most of the mineral properties in Yukon and can accelerate or decelerate the development of these at will without regard for the interests of Yukoners. It is sometimes the case that other, smaller, companies would develop these properties faster if they had control of them. For example, Union Carbide Company would like to have access to a source of tungsten such as the Mactung deposit. However, Amax, which controls Mactung is in no hurry to develop it as it already has a source of tungsten (at Tungsten, N.W.T.). Another example is the control of Cyprus Anvil by Dome Petroleum. If the Anvil mine had been run by northerners, or a southern-based company with northern interests, much greater efforts would have undoubtedly been made to keep the mine open. The situation at present is that the Yukon economy is at the mercy of a giant oil company for which Cyprus Anvil forms only a small part of its operations. Finally, if Cyprus Anvil had not obtained control of the Grum deposit in 1978 it is likely that it would be in production by now. Under Anvil's control, however, it will not be producing for several years.

Finally, the availability of opportunities to Yukoners in the Beaufort is very much dependent upon the whims of three giant oil companies (Esso, Gulf and Dome).

The boom-bust cycle has inhibited economic development in Yukon. The instability of Yukon's economy has made it hard for local businesses to become established. Entrepreneurs have been reluctant to establish businesses in the face of uncertain market circumstances. Therefore backward and forward linkages are much less developed than they might have been had the economy been more stable. With more stable conditions, linkages would have been better developed. A larger pool of local entrepreneurial talent would have evolved, enabling other economic opportunities to be pursued. A labour force with a greater diversity of skills would be in existence.

The high costs of establishing and running businesses relative to the south, the distance from markets, the small and scattered population and the seasonality of tourism, mineral exploration and forestry are all fundamental characteristics of the economy that have inhibited economic development. The great distance (1,500 miles) between the Yukon and Canadian centers of production and manufacture means that the costs of goods imported into Yukon are 10-20% higher than their source cost. The high transportation costs could in theory provide a protective tariff-wall against imported goods and thereby offer a home advantage to locally produced goods. However, in practice this has not been the case. High energy and power costs are a considerable disincentive to local production. The lack of natural gas in Yukon means that Yukon depends on

petroleum products for 80% of its energy requirements, a much higher rate than in the provinces. The cost of petroleum products is 10-20% higher than in the south. The harsh climate means that per capita usage is much higher than in the south. A cost of power that is on average 100% greater than in the south is also a disincentive. The high cost of living means that non-mine labour costs on average are 25% higher than in the south, thereby further adding to the costs of production.

The seasonality of many industries in Yukon also adds to the cost of producing goods in the north. For example, in the tourism, mineral exploration and forest industries, and the service sectors that serve these industries, the year's revenue has to be earned over a period of 4-5 months, whilst fixed costs are spread over the full 12 months. Thus prices have to be set commensurately higher in order to generate the cash flow to survive in the off-season months.

The high transportation costs and high costs of doing business in Yukon mean that Yukon industries find it hard to compete in external markets. The small and scattered population implies a small internal market. Economies of scale are therefore difficult to achieve for mass- produced goods, and it is cheaper to import them from the south.

In summary, Yukon's economy is relatively under-developed. The domination of the economy by a capital-intensive export-based resource industry, the instability of this industry, and the lower costs of importing goods than manufacturing them in Yukon have inhibited the development of economic linkages in Yukon. There is virtually no manufacturing or agricultural industry. The need to import practically all goods results in a very high level of leakages from Yukon. The value-added, generated by the mining industry in Yukon, is therefore very low. Consequently, it is very difficult to generate self-sustaining economic growth and development. The value-added generated in Yukon by mining is mainly in the service industries (wholesale and retail trade, transportation and construction) which still must import all their supplies. The lack of secondary processing facilities also contributes to the low value-added generated by the mining industry.

The development that has taken place in Yukon has been very unevenly distributed amongst Yukon communities, reflecting the lack of development of linkages between communities. Employment opportunities in the mining industry have been concentrated in Whitehorse, Faro, Mayo and Dawson. Other communities have been almost completely bypassed. Incomes in these other communities tend to be much lower on average. Incomes are derived from subsistence activities (for example,

Old Crow), and seasonal activities such as tourism and mineral exploration. Unemployment is particularly high, therefore, during the winter months. Reasons why these communities have been bypassed include: (a) the lack of willingness of residents to relocate to mining communities or to move to Whitehorse to acquire skills; (b) the lack of willingness of mining companies to adopt job rotation schemes or special training programs; and (c) the lack of willingness of resource companies to purchase services and supplies from these communities.

Lack of economic development is also characterized by a lack of involvement of natives in the fabric of Yukon's non-traditional economy. 1981 was a boom year, yet unemployment averaged 1,110, representing an unemployment rate of 8.2%. It can be assumed that most of these were Indians. Using an Indian population figure of 4,000 (1981 census), a working age population of 70% of the total population (1981 census), and a labour force participation rate of 77% (Yukon Labour Force Survey), it is estimated that 2,160 Indians were in the labour force in 1981. Therefore, the Indian unemployment rate was in the region of 50% in 1981.

Another measure of the scale of the problem is social assistance payments made to status Indians to meet only basic-need requirements. In a typical month (October,

1982) basic need payments are provided to some 450 employable status Natives in the Yukon region, representing monthly expenditure in excess of $85,000. Considering that Yukon's status Indian population is about 3,200, including children, a figure of 450 employable Native people receiving basic-need payments implies an extremely high unemployment rate.

A large proportion of the unemployed Natives are found in Whitehorse's Indian village. Natives in other communities are at least partially involved in hunting, fishing and trapping activities. However, in Whitehorse, many Natives rely on welfare payments. This has led to serious social problems. Family breakdowns, violence, alcoholism and confrontations with the law are frequent.

3.2 Structure and Performance of Yukon's Economy

This section highlights the main features of Yukon's economic structure and performance. The reader is referred to the Government of Yukon's "Economic Outlook" for a detailed analysis and description of Yukon's economic performance. This is the second of the four documents presented to the Western Advisory Committee in September, 1982.

3.2.1 Overview

The period 1967-1981 was one of reasonably steady growth for Yukon. GTP grew from $65.2 million in 1967 to $343 million in 1978 (the latest year for which figures are available), representing an annual average increase of 16%. Even in real terms, the growth was substantial, around 9% a year. Population grew steadily from 18,300 in 1971 to 25,000 by 1981, an average annual rate of increase of 3.1%.

The Cyprus Anvil strike in 1976, the stagnation in world metal prices from 1975 to 1978 and the closure of Clinton Creek in 1978 caused mining sector employment to decline from 1976 to 1979. However, this was offset by a construction boom from 1976 to 1978. Major events included the Skagway and Dempster Highways and the Foothills pipeline-related construction boom. The relocation to Whitehorse of NorthwesTel and White Pass and Yukon Corporation also mitigated the downturn in the mining industry.

From 1979 to 1981, full-time employment steadily grew, reaching 10,600 in 1981 compared to 8,470 in 1978. Hard-rock mining employment grew, mainly in response to the commencement of Cyprus Anvil's expansion project. Placer mining and mineral exploration showed large surges in activity.

Full-time forestry employment doubled from 24 in 1978 to 50 in 1980 mainly in response to an increase in Cattermole Timber's capacity. Cattermole Timber is the major employer, with 60 full and part-time employees in 1981. However, there are around 20 other small sawmills scattered around Yukon, particularly in the Mayo area.

Service sector employment increased from 1,875 in 1977 to 3,190 in 1981, an increase of 70%. A substantial portion of this increase can be attributed to an increase in tourist activity. Tourism expenditures rose from $33 million in 1978 to $51 million, reflecting an increase in border crossings from 300,000 to nearly 400,000. Tourism employment is mainly seasonal. Manufacturing industry was minimal, never employing more than 100 people. Employment in the construction industry was 760 in 1977 and 580 in 1981. Employment in the transportation industry was 750 in 1977 and 800 in 1981.

Employment in the fisheries industry was very small. Freshwater fish supported a small commercial fishery in the Southern Lakes area. A salmon processing plant opened in Dawson in 1981, employing a handful of people. There is limited agriculture but no agricultural sector to speak of.

Government employment rose steadily during the last decade in response to growth in the rest of the economy. It is the largest employer in Yukon, providing jobs for approximately 4,100 residents in 1982, or almost 40% of total employment. The Government of Yukon accounts for about 60% of total government employment.

3.2.2 Population

Yukon is home to about 24,000 people, 99% of whom live in the forested, southern and central parts of the Territory where all communities except Old Crow are located. The population of Yukon's communities in 1971, 1976 and 1981 are shown in Table 1. Whitehorse, with almost 15,000 people, is the largest city in Canada north of 60° and accounted for 65% of the Territory's population in 1981. Faro is the only other Yukon municipality with more than 1,000 people, although its population is dropping sharply because of the closure of the Cyprus Anvil mine. Dawson's population swells above 1,000 in summertime. Watson Lake also has over 1,000 people if residents outside the boundaries of the Local Improvement District are included.

TABLE 1

Population of Yukon Communities, 1971-81*

Community	1971	1976	1981	Annualized Growth Rate % 1976-81	"On Reserve" Stat Indian Pop.** 1982
Whitehorse	11,217	13,311	14,814	11.3	474
Faro	863	1,544	1,652	7.0	
Watson Lake	553	808	748	-7.4	
Dawson	762	838	697	-16.8	130
Mayo	381	448	398	-11.2	190
Haines Junction	183	268	366	36.6	115
Elsa	298	456	336	-26.3	
Teslin	264	241	310	28.6	218
Ross River	317	371	294	-20.8	225
Carmacks	348	346	256	-26.0	215
Old Crow	206	221	243	10.0	168
Carcross	188	175	212	21.1	86
Pelly Crossing	141	135	182	34.8	149
Upper Liard	219	106	130	22.6	366
Beaver Creek	120	123	90	-26.8	
Tagish		4	89	2125.0	
Keno Hill	79	70	88	25.7	
Burwash Landing	67	71	73	2.8	77
Destruction Bay	82	72	45	-37.5	
Clinton Creek	381	191	0	-100.0	
Remainder of Yukon	1,719	2,037	2,130	-100.0	

* Source: Statistics Canada, Census of Canada.

** Status Indian population living on reserves and other Crown lands designated for Indian use. The "off reserve" Status Indian population was 786. Source: Band Lists, December 31, 1982.

Between 1976 and 1981, Yukon's population increased by 6.0% -- essentially the same rate of growth as Canada (5.9%). Growth rates, however, have varied a great deal, whether viewed historically over a long period, or on a yearly basis, mostly as a result of changes in migration. Net migration between Yukon and the rest of Canada in the past six years has ranged from a gain of 670 in 1981 to a loss of over 1,000 in 1982 (Table 2).

TABLE 2

Annual Migration between Yukon and the Rest of Canada, 1977-1982

Year	In-migration to Yukon	Out-migration from Yukon	Net Migration
1977	2,481	2,585	-104
1978	2,411	2,474	-63
1979	2,365	2,707	-342
1980	2,369	3,016	-647
1981	2,812	2,142	670
1982	2,154	3,233	-1,079

Source: Demography Division, Statistics Canada

Yukon's communities also differ in their growth rates. Between 1976 and 1981 Whitehorse grew by 11.3% while several places declined quite rapidly and one, Clinton Creek, disappeared entirely when the asbestos mine closed after operating for only 10 years.

Yukon's population is younger than the Canadian population generally (Table 3). Because of Yukon's larger proportion of children and smaller percentage of people approaching retirement age, Yukon's labour force could be expected to grow more quickly than the Canadian labour force in the next few years, provided that jobs are available in Yukon for those reaching adulthood and that they remain in the Territory.

TABLE 3

Age distribution of Yukon and Canadian Population, 1981

Age	Number in Yukon	Percentage Yukon	Canada
0 - 9	4,065	17.6	14.6
10 - 14	2,030	8.8	7.8
15 - 19	2,215	9.6	9.5
20 - 24	2,370	10.2	9.6
25 - 44	8,630	37.3	29.5
45 - 64	3,120	13.5	19.1
65 +	735	3.2	9.7

Source: Statistics Canada, 1981 Census of Canada.

Yukon's young age profile also helps to explain why its population is far more mobile than Canadians in general. Typically, in a single year both the number of in-migrants and the number of out-migrants exceed 10% of the population.* This statistic might suggest a high turnover

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* Statistics Canada, International and Interprovincial Migration in Canada, Cat. No. 91-208, various issues.

rate, particularly of the non-native population. However, this inference is incorrect. Although there is little statistical evidence it is well-known that newcomers to Yukon often stay for a long period of time and that any decision not to stay is usually made within the same year of arriving. Therefore, the number of in-migrants and out-migrants in any one year often includes the same people. Therefore, it is invalid to estimate a population turnover rate on the basis of the ratio of migrants per year to population alone.

The 1981 census showed that 66% of Yukon's population aged 5 and over had lived there 5 years earlier (the comparative figure for 1976 was 63%). After taking into account the 6% increase in population during this period, only 28% of Yukon's 1976 population had left Yukon by 1981. This suggests that the turnover rate of Yukon's population is quite low.

The census provides no information bearing directly on people's reasons for migration. It is reasonable to assume that most in-migrants are seeking jobs -- in many cases the high-paying jobs in mining and government. However, non-monetary life style considerations and the attractions of the natural environment are undoubtedly important to many newcomers as well.

Yukon's Native people are undoubtedly the most stable component of the population, although census migration data

are not yet available for the Native population alone. In fact, Yukon's 5,500 Native people (about a quarter of the total population) account for a higher percentage of the permanent or long-term population of Yukon.

3.2.3 Labour Force Activity

At the time of the 1981 census, 76% of Yukon's population aged 15 and over were in the labour force -- a higher participation rate than any province or the Northwest Territories and well above the Canadian rate (65%). The labour force numbered about 13,000 persons.

There is no official estimate of employment from the monthly Labour Force Survey, which has only recently been extended to Yukon on an experimental basis. However, the YTG's estimates suggest unemployment is generally above the Canadian average by 1-2% points, and that the spread is much greater in the winter months (3-7%) reflecting the extreme seasonality of employment. In 1981, a good year, the unemployment rate averaged around 8% for the last nine months, compared to 7.4% for Canada. However, unemployment data hide the extent of problems in the Yukon economy, as people tend to leave the Territory in a downturn such as that presently being experienced. Also, as indicated in 3.1, native unemployment is known to be very high.

3.2.4 Income

While there are large income disparities in Yukon, average average incomes are much higher than the Canadian average. Based on personal income tax returns for 1980, which exclude certain types of non-assessable income which are especially important in the north, per capita income in the Yukon was $9,976 compared to $8,080 in Canada as a whole.* In May 1982 (i.e., before the mining industry collapsed), the average weekly earnings of the 4,100 employees in firms with 20 or more employees were $562.60 in Yukon, 45% above the Canadian average of $387.42.**

Although average incomes in Yukon are high, the cost of living is also higher than in southern Canada. The Government of Yukon reported that, in 1982, Whitehorse prices for some 7,000 items were 16% above Vancouver levels, and 21% above Edmonton levels. Since 1979, the gap between Whitehorse prices and those in Edmonton or Vancouver has been narrowing.*** Statistics Canada has only recently begun to include

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*Revenue Canada, Taxation, 1980 Taxation Statistics.

** Statistics Canada, Employment, Earnings and Hours, July 1982, Cat. No. 72-002 (Ottawa: Minister of Supply and Services Canada, 1982), pp. 15 and 41,

*** Yukon Economic Review, Third Quarter, 1982, p.26.

Whitehorse in its consumer prices survey. According to this survey, between March 1982 and February 1983, the prices of all items excluding shelter increased by 5.3% in Whitehorse, compared with an average increase of 5.8% in southern Canadian cities.

In the absence of a more comprehensive time series on consumer prices, income figures are difficult to interpret in terms of purchasing power. From the limited data available, however, it would be reasonable to conclude that, on average, Yukoners' incomes are far enough above the Canadian average to compensate for the higher living costs. Although Yukoners' purchasing power may not be a high as that of the average Albertan or British Columbian, neither is it nearly as low as that in the poorer parts of Quebec or the Atlantic provinces.

The incomes of most Native Yukoners on the other hand, are obviously well below those of the non-native population and of the Canadian average. While some Native people earn relatively high incomes and many, particularly in the smaller communities, continue to derive some income from hunting, trapping and fishing, most comprise an economic underclass which is unable to compete effectively in business or the labour market. Natives rely heavily on transfer payments.

Government Finances

Yukon's high personal incomes have enabled the Territory to generate a higher per capita level of revenue from its own sources than most provinces, if natural resource revenues, to which the Territory has no access, are excluded from consideration.* Nevertheless, because there are only some 24,000 Yukoners to bear the high costs of government in the Territory, there is a strong reliance on fiscal transfers from the federal government. Such transfers provided over 60% of the YTG's revenue in 1981-82 -- a higher percentage than in any of the have-not provinces, and three times as high as the percentage of all provincial government revenue which from the federal government.** This high level of federal transfer payments to the Yukon Government is also supplemented by high levels of direct federal expenditure in Yukon. The expenditure of federal agencies for 1981-82 for which Yukon was "the location of principal benefit" was estimated at $112,351,000, or almost $5,000 for each resident of Yukon.

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* YTG, The Yukon Economy: Fiscal Summary, Paper No. 4 (September, 1982, Table 4).

** Statistics Canada, Provincial Government Finance: Revenue and Expenditure (Estimates), 1981, Cat. No. 68-205 (Ottawa, November, 1982) p.xvii.

The comparable figure for planned expenditure in 1982-83 was $123,158,000, about $5,300 per capita.* The per capita deficit on all government activity in Yukon has been estimated to be $4,740 in 1980 -- a much higher figure than the per capita deficit on government activity in the poorest provinces.**

3.3 Recent Economic Events

The steady growth in Yukon's economy between 1967 and 1981 gave the appearance that Yukon's economy was reaching maturity and stability. However the economic events of 1982 have demonstrated that the economic base is still remarkably fragile, and that it is still mistaken to rely entirely on mining as a foundation of economic growth and development.

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* D.I.A.N.D., Annual Northern Expenditure Plan, 1982-83. Figures exclude amounts for which the location of principal benefit is the North generally and Canada.

** Robert Reid, "Subsidization of the Northern Territories", unpublished paper, D.I.A.N.D. (1982), p.11.

The recession beginning in the fourth quarter of 1981 has had devastating effects on Yukon's mining industry. Declining revenues, and increased costs of production, particularly debt financing and energy costs, drastically reduced the cash flows of many company operations. The net result throughout the Territory has been closures and lay-offs. The gross value of mining production fell from $268 million in 1981 to $168 million in 1982. Exploration of Yukon's most promising deposits, notably Mactung, Tom and Jason in MacMillan Pass and the large Howard's Pass deposit, was significantly reduced, as was activity on most other deposits. Mineral exploration expenditures in Yukon declined from an estimated $50 million in 1981 to $22 million in 1982.

Deteriorating world markets also forced the cancellation or postponement of a number of projects. These included the Venus Mine, Marbaco, Adanac and Mactung projects. Had the Marbaco and Venus projects proceeded Yukon would have been able to diversify its mining operations and increase employment in 1982 by 120-150 people.

The placer industry operated at a much reduced level during 1982, because of low gold prices during the early part of the placer mining season. Placer gold production for 1982 is estimated to be 2,290 kg which is 74% of the 1981 production.

Placer mining operations during 1982 provided approximately 270 man-years of work for 650 persons.*

As recently as the third quarter of 1981, there were 1,750 people employed in mining, accounting for 15% of total employment. By the end of 1982, employment in the hard-rock mines was minimal. $28 million in foregone wages and salaries was lost to the economy. Assuming that placer mining employment was 60% of the 1981 level (based on the fall in production), then employment in this industry fell by 108 man-years, with a loss in wages and salaries of around $4.5 million.

The collapse of the mining industry has had severe repercussions for the rest of Yukon's economy. The construction industry derived very little business from the private sector in 1982. Business derived from Government capital projects was also significantly lower. Overall, full and part-time employment in construction fell by 30% between 1981 and 1982.

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* T.W. Caine and D.D. Brown, "Mining and Mineral Exploration in the Yukon and Northwest Territories" (Ottawa: DIAND, 1983).

The transportation sector, even more so than the construction sector, has been severely hurt by the downturn. White Pass and Yukon Railway and Trans North Air, two of Yukon's largest companies, are particularly reliant on the mining industry. White Pass has closed its rail and marine operations with the loss of 350 out of 370 jobs. Trans North Air imposed a 10% wage cut on its employees and reduced its employment by 15%. For the sector as a whole, employment by the end of 1982 was 30% less than in December 1981.

Bankruptcies, an indicator of the health of the service sector, were over triple those in 1981. In 1982 there were 12 consumer and 13 business bankruptcies, compared to 2 consumer and 6 business bankruptcies in 1981. Employment in the service sector was 26% lower in December, 1982 than in December, 1981.

In the communications sector, NorthwesTel imposed a nine-day fortnight on its employees. NCPC has lost 35% of its revenues.

The forestry sector declined to almost nothing. Whilst this was in part due to the slump in export markets, it was also due to the loss in mining company business. For example, four mills in the Keno area were forced to close in 1982.

The downturn in the mining industry severely affected the Yukon Government's finances, demonstrating clearly the fragility of its tax base. Estimates for 1982-83 suggest a decline in O & M revenues and recoveries (compared with 1982 Main Estimates) of $13 million, representing nearly 10% of the original budget.

This forced the Government to take drastic measures. The Capital Budget was slashed by $10 million, and the O & M budget slashed by $3 million. The latter was achieved mainly by placing employees on a 9-day fortnight. Despite these cuts the government's financial position was still precarious, in part because the rise in unemployment caused a large rise in the government's expenditures on social assistance.

There were few bright spots in 1982. The most promising areas were tourism and the Beaufort Sea. The number of visitors to Yukon was down 6% from 1981. Whilst tourists were more careful with their money than 1981, spending less in restaurants and hotels, the season was still encouraging in view of the severe North American recession. The number of Yukoners employed in the Beaufort and at Esso's Norman Wells project also increased from 20 in 1981 to around 50 in 1982. The lobbying activities of the Yukon Government were a significant factor behind the increase.

UIC claims are a good indication of the employment situation. Persons receiving regular UI benefits in Yukon increased by 80% between January, 1982 and January, 1983, reaching 2,264 in the latter month. It is estimated that the unemployment rate rose during this period from 9.5% to 18%. The unemployment rate would have been higher if all those who were unemployed had stayed in Yukon.

YTG estimates suggest that the employed labour force declined by 6.5% between December, 1981 and December, 1982. The overall population declined by 9% from 26,445 to 24,118.

The differential between Yukon and Canadian industrial average weekly earnings declined dramatically in 1982. In October, 1981 the differential was 52%. By December, 1982, this had fallen to 23%, reflecting largely the collapse of the high-paying mining industry. This means that the average industrial wage in Yukon is now higher than the Canadian average by roughly the difference in the cost of living.

3.4 Forecast for 1983

In September, 1982, the Yukon Government prepared a forecast showing that employment would fall by 30% and population by 20% by April, 1983. This forecast was based on the assumption that two-thirds of the population affected by employment losses would leave Yukon and that there would be no short-term mitigative measures. However, the number

of people leaving Yukon is not as high as was expected. First, there were poor job opportunities elsewhere. Second, CAMC allowed their staff to remain in low cost housing. Third, Yukon and Federal Governments have launched a number of short-term job creation schemes and some skills upgrading programs, which have served both to reduce employment losses and to retain skilled workers in Yukon.

Cyprus Anvil recently announced a stripping program for 1983/84 (cost-shared with the Federal and Territorial Governments). 210 people will be employed, representing 30% of the pre-closure work force. UKHM has announced that it will almost certainly re-open this summer. Therefore, the original forecast will not be realized. However, it is still expected that there will be a population loss of 2½ thousand people from Yukon by the end of the year, based mainly on the loss of 700 mining jobs (210 Whitehorse Copper plus 490 Cyprus Anvil). Although there could be over 100 Yukoners employeed in the Beaufort and at Norman Wells this year (in response to Gulf and Esso's expanded activities), this will only be a small proportion of the total loss of mining jobs.

In conclusion, the events of the last two years have shown the extreme fragility of Yukon's economic foundation. If no long-term measures are taken now to rebuild and diversify the economy, it may take years before its pre-1982 health is restored. The exodus of skilled manpower and businesses that

is likely to occur unless something is done will take years to replace. It will be much harder to diversify the economy once most of Yukon's business and labour skills have been repatriated southwards.

It is in this context that the Yukon Government attaches so much importance to the immediate implementation of a long-term economic development strategy. Yukon cannot on its own implement this strategy (unless social programs are cut and/or taxes drastically raised) as it has neither the financial capability nor the complete legislative jurisdiction. Furthermore, its financial capability has been severely impaired by the collapse of the mining industry. It is for these reasons that the Yukon Government is looking to an EDA to contribute to the solution of Yukon's long-term problem.

4.0 CONSTRAINTS TO ECONOMIC DEVELOPMENT

Future economic development in Yukon may be retarded by a number of factors. These constraints can be broadly grouped as:

a) insufficient infrastructure and services to meet future demands;

b) inadequate use of Yukon's available physical and human resources; and

c) problems with present Government programming.

4.1 Insufficient Infrastructure to Meet Future Demands

A major constraint to the effective and orderly development of Yukon's resources, particularly non-renewable resources, is the lack of proper infrastructure and services. A cost-efficient transportation and energy system and an expanded community infrastructure base are prerequisites for achieving economic development objectives.

4.1.1 Transportation Infrastructure and Services

Although Yukon has a well-developed highway system, the lack of roads into areas with potential for resource extraction is a severe constraint to the realization of that potential. The Federal Government's Northern Resources Roads Program provides funds for the construction of initial access and permanent access roads. Funds can only be utilized at the request of a project proponent which is then responsible for building the road. The project proponent must also contribute to the costs of the road. This kind of system is not nearly so effective at stimulating mineral exploration and development than if a system of regional resource roads were constructed in advance by government. Moreover, the present system is inefficient as it can lead to an unplanned and uncoordinated network of roads.

The increasing quantity of traffic on the Dempster Highway is causing a deterioration in its condition. Unless significant capital improvements are made to it, Yukon businesses may find that their ability to take advantage of Beaufort Sea opportunities is constrained.

The condition of the North Canol Road is a constraint to the development of the Mac Pass region. Even if the Mactung deposit is the only deposit that is developed the road will need to be upgraded. If other deposits in the area are developed, particularly the Tom and Jason deposits, then the Faro-Ross River stretch of road will also need to be upgraded. Plans are presently being drawn up by the Northern Affairs Department for the reconstruction of the road. YTG had budgeted for initial planning work on the Faro-Ross River stretch in its 1982/83 budget. However, the work was cancelled as part of the cutback in the budget in August, 1982.

The White Pass and Yukon Railway between Skagway and Whitehorse is Yukon's only railway. As it depended on mineral concentrate traffic for 75% of its revenues, it was forced to shut down in October, 1982. The high cost of the railway was a contributing factor in the shut-down of the mining industry. CAMC has estimated that it cost them $10 million more per year to haul by rail than by truck. Trucking is not allowed on the Whitehorse-Skagway road following an agreement between the railway and YTG in 1981.

The CTC has recently announced a public inquiry into the most cost-effective system of transportation infrastructure in Yukon. One of its tasks will be to decide upon whether the railway has a useful role to play in the economic development of Yukon.

Yukon has a well-integrated and efficient air network. However, inadequate airport facilities threaten to constrain the growth of the tourist industry. In particular, the Whitehorse air terminal is badly in need of upgrading. Work is expected to begin on this later this year. The growth of communities such as Dawson and Faro are also constrained by short runways that do not allow large planes to land. Both these runways need to be extended. Finally, good air facilities are needed in areas of mineral potential to stimulate exploration. The present Northern Roads Program provides financial assistance for companies to build rudimentary airstrips. However, a few large and well-equipped strips in resource areas would be more efficient.

Another serious transportation problem that Yukon faces is the transport of employees to and from the Beaufort Sea and Norman Wells. At present there is no incentive for the oil companies to transport workers to and from Yukon communities as the local air carrier (Trans North Air) does not have an aircraft big enough or fast enough to meet the companies' needs. The biggest aircraft that TNA possess is a DC3 which only seats 25

people. It is easier and cheaper for the oil companies to use jets from Edmonton. This could change if TNA acquired a larger and faster plane. However, TNA is faced with a 'chicken and egg' problem. It doesn't want to acquire a larger plane unless it is guaranteed a larger volume of traffic. The oil companies will not guarantee the traffic until TNA acquires a larger plane.

4.1.2 Energy

Energy consumption as a whole in Yukon is high. In 1980, this was some 397 million BTUs per capita. For comparison, the annual per capita consumption in Manitoba is 250 million BTUs, or 37% lower. Most of this is accounted for by the extraordinarily high consumption of heating (longer winters) and diesel oil, gasoline and aviation fuel. Imported petroleum products comprise 80% of Yukon's total energy requirements. Natural gas is unavailable. Electricity supplies about 15% of Yukon's energy consumption. Household electrical consumption is high in Yukon, averaging 14,600 kwh per household per year. This compares to 7,400 kwh per year in Manitoba. Significant reasons for this is the use of electricity for space and hot water heating. The total electrical generating capacity in Yukon is 99 Mw, 62 of which is from hydro generation. Hydro generation, however, supplies about 87% of the electricity generated in Yukon. An additional 20 Mw will be available in 1984 when the addition at Whitehorse is completed. No electricity is imported to or exported from Yukon.

The small size of communities in Yukon and the long distances separating them have meant that electricity costs are higher than in most provinces, although they are much lower than in the Northwest Territories. Rates have risen sharply over the last few years. In 1977 the average rate per kwh was 2.67¢, whereas the 1983 rate is over 7¢. The main reason for this sharp increase has been an increased reliance on diesel generated electr among communities. The portions of the power system which rely mainly on hydro generators, such as the Whitehorse-Aishihik-Faro system and the Mayo-Elsa-Keno Hill system, have rates much lower than those in smaller communities dependent on diesel generators. Rates vary from 3.5¢ a kwh in Mayo to 33¢ a kwh in Johnson's Crossing. In Whitehorse the cost is 7¢ a kwh. This variance reflects the high costs of hydrocarbons in Yukon, which are 10-20% higher than in the south. However, under the Federal Power Support Program, domestic consumers in diesel-serviced areas of Yukon, excluding those in government housing, pay only the Whitehorse rate for the first 700 kwh per month. This program, however, is in its last year.

High energy costs were a significant factor underlying Cyprus Anvil's suspension of operations in 1982. The company was paying 10¢ a kwh. In B.C. the industrial is 2-3¢ a kwh. In addition, Cyprus Anvil was using 50% more power on account of its new mill.

Energy costs in 1980 represented about 17% of GTP. This is an increase from about 7.5 to 8.0% in 1970. High energy costs put Yukon businesses at a competitive disadvantage relative to Southern Canada. High power and hydrocarbon costs combined with higher per capita usage means that incomes have to be higher than in the south to compensate. This further increases the cost of doing business in Yukon. Total hydrocarbon consumption in 1980 was approximately 46 million gallons. As all this was imported, this represented a direct leak from the economy of $65-70 million a year.*

Energy costs in 1980 represented about 16.7% of GTP. This is an increase from about 7.5 to 8.0% in 1970. Total hydrocarbon consumption in 1980 was approximately 46 million gallons. As all this was imported, this represented a direct leak from the economy of $65-$70 million a year.*

The closure of the mines means that at present Yukon is not using nearly as much diesel fuel for power generation. Prior to the shut-down over 6 million gallons of diesel were being used to generate power. However, Yukon's long-term energy

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* Figures from the above paragraph are taken from the report by Hildebrandt-Young Associates, "Projected Yukon Energy Requirements, 1980-1991", prepared for YTG and the Federal Government in 1981.

problems are still acute. First, power costs will continue to be very much higher than in Southern Canada whether diesel is used or not. The Whitehorse Fourth Wheel Project will provide more hydro power. However, the high initial cost of $60 million along with the low average output per year of 7-8 Mw means that the cost of this power will be higher than at present. A shortage of reasonably priced electricity is still a constraint to growth and development. Second, if Anvil reopens, diesel power will still be needed on the hydro grid in winter. Third, although hydrocarbon prices are presently stagnant, they may start to rise again in the long-term, putting a greater burden on Yukon. The Hildebrandt-Young report predicts that, unless new energy supplies are found and energy conservation practices are adopted, energy costs could represent 50% of GTP by 1990.

Another major constraint has been the restrictive mandate which NCPC is bound by. NCPC must operate on a total cost-recovery basis. This makes it almost impossible to plan and build new power-generating facilities in advance of their need, unless the demand is guaranteed. However, the mining companies, major users of power, are unwilling to commit themselves to new projects unless they have access to cheap power. Hence the familiar, 'chicken and egg' situation.

4.1.3 Community

Lack of community services activities and, in some cases, infrastructure, act as a constraint to the amount of time people are willing to live in Yukon and to the ability to attract new residents and businesses. If Yukon is to be able to take advantage of development opportunities, and increase the value-added from both present and future activities, both people and businesses must be attracted to Yukon and persuaded to live in Yukon for a long time.

Many communities have an adequate supply of basic infrastructure to support development. However, they lack the population base required to obtain the most cost-efficient utilization of the existing facilities and in many cases cannot provide the level of recreational and cultural facilities necessary to attract a high quality labour force and related businesses and services.

Even Whitehorse is deficient in a number of recreational amenities such modern ice rinks, parks, recreational centres, and a year-round swimming pool and has few cultural facilities. There is no central sports complex and no multipurpose cultural and heritage centre. The main ice arena has been condemned. The main cultural centre is too small, despite a recent expansion. There are several smallscale cultural events happening in Whitehorse throughout the year. Usually these have to be held in places such as school gymnasiums which are generally unsuitable. With regard to

outdoors recreation, much could be done to open up the immediate area around Whitehorse to wilderness adventuring. Although Whitehorse is surrounded by countryside that is ideal for hiking and camping, much of it is inaccessible because of a lack of hiking trails and wilderness camps above the tree-line, and a lack of adequate maps.

Whitehorse lacks many of the social amenities one would expect to find in a city of its size. There is no adequate nursing home/extended care facility for elderly people or adults suffering from chronic diseases. Senior citizens therefore have to relocate out of the Territory for nursing care. There is no after-care facility for people suffering from psychiatric or alcohol-related problems. People are sent back into the community straight after treatment with no opportunity to go through a period of readjustment first. There is no centralized community health and social service centre.

Whitehorse neither has the visual features a tourist or a new resident would expect in a capital city (as opposed to just a big city), nor does it contain the facilities one would expect a capital city to provide. One need only go to Juneau (Alaska State Capital) or Yellowknife to see the contrast. The buildings in the downtown Whitehorse area, both commercial and residential, are unaesthetically pleasing. The roads are dirty and dusty. The riverfront area, potentially the most attractive part of the town, is dingy.

Many capital buildings have a museum/heritage complex, catering both for local residents and tourists. Whitehorse, although it has a small museum, does not have anything like the complex that Yellowknife possesses. The establishment of such a centre in Whitehorse would make is easier for the local resident to identify with Yukon's heritage and would also serve as a tourist attraction.

A major reason why Yukon's communities are not as attractive places to live in and visit as they might be is a lack of money for community planning and for implementation of these plans. The amount of money available for community plans is miniscule (only $5,000 available for 1982-1983). Only two or three Yukon communities have development plans. The money for the Dawson Community Plan came from the 1980 Tourism Agreement. Capital funds for community infrastructure and services comes under the Community Assistance Program and the regular capital budget. The CAP only provides funds for the absolute minimum basic infrastructure and services. Although, in theory, the YTG capital budget can provide for other community items, in practice very little money is available for anything more than basic infrastructure. Lack of planning provisions means that it may be difficult for new businesses, industries and residents to establish themselves in a community. For instance, there may be insufficient industrial land available.

4.2 Constraints Preventing Greater Utilization of Yukon's Natural and Human Resources and Development of Yukon Businesses

A major constraint to development has been the lack of utilization of Yukon's natural resource and human resource base. This has been due to the preoccupation with mineral resource exploitation without consideration of other sectors of the economy that have potential, such as tourism and renewable resources, and without regard for reasonable benefits to Yukoners. These items are discussed in turn below.

Yukon abounds with natural resources, both non-renewable and renewable. Yukon's non-renewable resources have not been developed as much as they could have been because of lack of information about the nature of these resources. Infrastructural constraints limiting the growth of the mineral sector were discussed earlier. There is also little information on Yukon's renewable resources and this has precluded the further development of this sector. One major renewable resource, tourism, faces several constraints limiting its further development. These items are discussed below.

4.2.1 Lack of Information About Yukon's Non-Renewable Resources

Mineral exploration companies have tended to concentrate their efforts on particular metals in particular areas. This is a

function of lack of information on other areas and the costs of access. Although EMR and DIAND have conducted a geological and mapping program at the 1:250,000 scale, and have carried out regional geophysical and geochemical surveys, more detailed surveys would add to the stock of knowledge and would stimulate further mineral exploration. As a result, Yukon's mineral base would hopefully become more diversified and stable.

4.2.2 Lack of Information on Yukon's Renewable Resources

There is inadequate knowledge of the size and characteristics of Yukon's renewable resources and therefore little knowledge of the maximum yield that is sustainable from the resource every year. Government in Yukon has had insufficient financial resources to meet the problem and there has been a traditional approach by the bureaucracy to ignore Yukon's resources as they were on the fringe of the major resource areas in British Columbia. This is particularly true for Yukon's forestry and fish resources.

4.2.3 Lack of Tourist Attractions and Facilities

In order to maximize the potential of Yukon's tourism industry, several problems must be overcome. There are few tourist attractions, either private or public, relative to Yukon's scenic, wilderness and historic resources. The

aesthetic appeal of Whitehorse, Haines Junction and Dawson could undoubtedly be improved, particularly in Whitehorse where a streetscaping program and other programs would be invaluable. Tourist amenities in these places could also be substantially improved. There is considerable potential for making the surrounding countryside more accessible for both tourists and residents, for example, by developing more hiking trails and campgrounds. In order to maximize Yukon's tourist potential there is a need to change its "pass-through" image and make Yukon a destination area in its own right. By inducing tourists to stay longer, income from tourism can be increased.

Tourist access to Yukon's wilderness is limited at present by a lack of suitable amenities to facilitate access. Examples are lack of rental equipment, guiding services, and suitable trails and campgrounds. Information on present wilderness travel programs is scanty and uncoordinated and the extent of marketing effort for these programs is very limited. Present wilderness tour operators tend to be undercapitalized, lack business experience and lack the financial resources to improve and market their programs. As a result few enterprises operate to capacity and few make a reasonable return on their capital. Lack of sufficient accommodation is another important constraint, particularly in areas such as Haines Junction.

The short season in Yukon, combined with high costs, makes it necessary for tourist establishments to charge high prices. High prices in turn are a disincentive to the growth of tourism.

Other constraints facing the development of the tourism industry are general constraints impeding the development of business in all economic sectors. These are addressed in the next subsection.

4.2.4 Economic Deterrents Facing Industry and Business in Yukon

A number of factors have retarded the development of a strong local business community:

a) Locational Problems: Factors such as distance from markets, high costs, small domestic market, seasonality, and riskiness of operations were discussed in Section 3.1.

b) Problems in Establishing Firms: There are insufficient numbers of entrepreneurs in Yukon with the skills and knowledge necessary to plan and enter into new ventures. In addition, the costs of developing and establishing projects are extremely high. There are further cost disadvantages of locating projects in small rural communities. Finally, there is a lack of accessible and inexpensive high-risk venture capital. Many entrepreneurs do not have sufficient collateral to obtain debt

financing and even if they do, are unwilling to sink money into high risk ventures in an unstable economy and unstable population, and with a potentially long payback period. Prospective businesses in rural areas are often at a disadvantage because banks are unwilling to extend loans. FBDB, although it is a lender of last resort, is unwilling to become involved in high-risk ventures.

c) Problems in Operating Businesses: Many Yukon-based businesses suffer problems associated with remaining in business including insufficient management skills, problems maintaining a reasonable cash flow in the face of an unstable economy and short operating seasons, and, related to this, problems in finding the cash to market products effectively. This is a particular problem with the tourist industry.

d) 'Image' Problem: Yukon businesses have been trying for a long time to obtain business from major southern-based companies such as Dome, Gulf, Esso. However, these companies tend to use southern supplies because they "know them and trust them", and are unwilling to experiment with northern suppliers, even if there may be cost advantages to doing so. These same companies also perceive Yukon as being too small to cater for large orders. One company in particular is known to have expressed the belief that "ordering $20,000/week in

groceries would strip Whitehorse shelves". This is definitely a major attitudinal problem which needs to be rectified.

4.2.5 Lack of Utilization of Yukon's Human Resources

Rapid economic growth in Yukon has largely bypassed Yukon's resident labour force, particularly the native element. Reluctance to disrupt traditional life styles and leave communities for skill training and employment are contributing factors. Many natives are also lacking in basic literary and numerical skills, which precludes them from entering skill training programs. As shown earlier, the unemployment rate amongst natives is in the region of 50%.

Although it is difficult to find data to compare and document educational levels of the native population, 1981 Census data gives some indication of the problem. Figures show that Yukoners have on average one of the highest overall educational levels in the country. However, this can be ascribed to the in-migration of professional and technical people particularly in government and mining. At the same time, 62% of the 15-24 year old population was not attending school, the second highest percentage in Canada (52% average) whilst 34% of this group was attending school full-time, the second lowest in Canada. These figures, combined with the remoteness of many small communities, traditional values, low employment

levels, and the lack of high school and training facilities in these locations, tend to confirm the notion that education levels are low for a significant portion of the indigenous population. There is a lack of academic upgrading programs and the facilities to implement such programs are, in any case, unavailable or insufficient in most Yukon communities.

Although no reliable statistics on literacy are available, it can be inferred from other indicators that a significant portion of the adult native population lacks the basic literacy level required to either initiate or administer economic development projects or to take advantage of vocational training programs. These indicators include:

- demand for basic literacy courses at the Yukon College and in outlying native communities;

- a significant number of native leaders with minimal or no reading and writing skills;

- high drop-out rates among native students from junior and senior high school level programs.

There has been no efficient mechanism to facilitate the access of natives to employment and training opportunities in industry in a way that is compatible with traditional life styles. Industry has been unwilling to hire natives, or

provide incentives to work for them, such as on-the-job training, flexible working arrangements, and provision of rotating shifts to and from communities.

The major job opportunities in Yukon are not at present in the mining industry but in the Beaufort Sea and Norman Wells. There are some major constraints that are preventing the full utilization in these areas of the hundreds of people who have become unemployed over the last year. First there are insufficient training programs that provide the skills necessary for work in the Beaufort (for example, oil rig and marine skills). Second, there insufficient funds to implement such programs, or to send people outside Yukon for such programs. Third, there are insufficient facilities at the Yukon College to provide such programs. The College is already overloaded. Extra space is now being utilized at local high schools. There are waiting lists for some courses, particularly Basic Training and Skill Development (BTSD) program courses. Training facilities in the other communities are either non-existent or very limited. Fourth, there is no mechanism whereby potential employees can undertake on-the job training in anticipation of production in the Beaufort (or, production from the Mactung deposit in MacMillan Pass), in combination with college training programs. Fifth, there has been no efficient manpower delivery system to facilitate and expedite access to mega-project job opportunities. CEIC does not have the funds, manpower or mandate to actively solicit

and screen potential employees for the Beaufort and arrange their transport to the project site, either from Whitehorse or any other community.

YTG recently undertook a skills inventory of people interested in working in the Beaufort. Over 1,000 people responded. Their names were passed on to CEIC. This, however, was a 'one-shot', ad-hoc exercise by YTG. What is needed is an on-going mechanism to identify potential employees in preparation for possible jobs in addition to CEIC's present system whereby it helps to place people who come into the CEC in search of jobs that are already advertised.

If these deficiencies are not rectified in the near future, it is likely that Yukon will face a large exodus of skilled workers to the south. A laid-off Whitehorse Copper worker, for example, probably has a better chance of obtaining employment in the Beaufort if he moves to Calgary. Yukon needs to retain these skilled employees in order to be in a better position to take advantage of economic development opportunities, such as the Beaufort. Moreover, many of these workers have lived in Yukon for a long time and have made it their home. Most do not want to go, but they will if they cannot find work.

Refcrence has been made to the lack of entrepreneurial, business and labour skills necessary to take advantage of

opportunities in the other sectors of the economy. Although business management courses are now being provided at Yukon College, they are insufficient in number and they are not available in other communities. There is also a need for para-professional training to take advantage of opportunities in the area of renewable resource management. For example, technicians will be needed for inventory programs, and skilled people will be necessary to administer resource management programs. Training courses and facilities in these areas are limited. Similarly, there are insufficient programs to train people to take advantage of the growth potential of the tourist industry (e.g., wilderness guides, hotel managers).

The Yukon College was formed early in 1983 out of the old Yukon Vocational and Technical Training School. However, it is a college in name only and lacks most of the academic, professional and para-professional courses offered at colleges in the provinces. Yukoners usually have to go outside Yukon in order to acquire skills other than basic tradesman skills. As the Yukon Government pays for this it represents a sizeable drain on its financial resources.

4.3 Effectiveness of Government Programming

A substantial amount of government programming oriented towards economic development is already in place in Yukon.

Some of these are Federal/YTG cost-shared programs. Others are directly delivered by either the Federal Government or the Territorial Government. The limitations of these are discussed below, first in general and then in specific terms.

4.3.1 General Problems Related to Government Programming in Yukon

4.3.1.1 Federal Policies and Programs Geared to National Needs

Federal programs are generally geared towards national needs and are not designed to fit the circumstances of a particular province or territory or to meet the goals and objectives of a particular provincial or territorial government. Whilst there is nothing wrong in this per se, it means that many Federal programs in Yukon are not oriented properly to meet Yukon's needs. Examples of these are discussed later.

4.3.1.2 Overlap and Lack of Coordination Between Government Departments

In Yukon there are several government departments, both Federal and Territorial, all pursuing their own objectives. There has been insufficient coordination of the efforts of these departments, resulting at times in duplication and conflict. The best coordination has been achieved through

cost-shared agreements. The Tourism Sub-Agreement under the GDA and the Energy Demonstration and Conservation Agreements are particular examples.

4.3.1.3 Insufficient Discretionary Funding Sources for YTG to Accommodate its Development Objectives

YTG has insufficient fiscal resources to pursue its development objectives. Only 23% of its O&M revenues are derived from its own sources (licence fees, excise taxes). The rest is made up by the Federal Government, of which 33% is a straight operating grant. Moreover, any attempts by Yukon to raise more money from its own sources is met by a cut in the operating grant. Therefore, raising its own taxes is fruitless as its revenue from other sources is reduced. Moreover, raising taxes significantly at a time of recession would only increase the depressive effect on the economy. An alternative is to cut non-development oriented programs such as health and welfare programs. However, this would be politically and socially unacceptable. The budgets of many YTG departments have in fact been pared down. Any further cutting would impede the efficiency of government operations. The whole capital grant is financed by the Federal Government. Any project of $1 million has to be given Treasury Board approval. Most capital money is used to finance basic infrastructural, community and social programs, with very little money left over for other programs specifically oriented towards economic development.

4.3.2 Problems Relating to Specific Government Programs

4.3.2.1 Cost-Shared Programs

A principal instrument by which the federal government sought to address the economic problems of Yukon in recent years was the General Development Agreement signed by both governments in 1977. This agreement, which expired in March 1982, was intended to promote the development of a more diversified economy and decrease the Territory's dependence on the mineral and government sectors; to increase the Territory's planning capability; to develop the tourist industry; to assist Native people and other disadvantaged groups to improve their position; and to foster local participation in entrepreneurial ventures. Two subsidiary cost-shared agreements were negotiated to implement these objectives: a $6.6 million agreement on Renewable Resource Development and a $6 million agreement on Tourism Development. Both of these agreements were extended to March, 1983.

Most of the funds under the Tourism Agreement were directed towards specific development projects (Program I), such as the Whitehorse cross-country ski chalet, interpretive and visitor information centres in Whitehorse, Watson Lake, Carcross and Dawson, reconstruction and stabilization of historic buildings, improvements in downtown Dawson, and a tourism incentives program which provided conditional grants to the private sector. A much smaller amount ($300,000 of the $6 million) was devoted to research and planning (Program II).

One of the Program II studies assessed the potential of the wilderness travel industry.

The Renewable Resources Agreement had four programs. Program I ($2.4 million) was intended to expand the information base on renewable resources in certain high priority areas (the Southern Lakes, the Dempster Highway corridor, the East Kluane region, the Carmacks-Ross River corridor, and the Kusawa Lake area). Program II provided $2.5 million for the planning, construction and rehabilitation of campgrounds and other outdoor recreation facilities. Program III ($1.5 million) established a Resource Development Corps to provide job training, experience, and counselling for unemployed and underemployed residents of Yukon -- partly on projects undertaken under Programs I and II.

Another cost-shared program specifically designed for Yukon is the Conservation and Renewable Energy Demonstration Agreement, signed in 1980, under the auspices of the NEP. $3.3 million was provided for financial incentives to businesses to adopt energy-saving devices, and for pilot projects and financial assistance for alternative energy technologies, based on renewable energy sources. To date, under the Energy Conservation Incentive Program, $1.25 million has been committed to 85 buildings with a realizable first year (and subsequent year's) savings of $536,000 ($1981). Twenty-two

projects are underway under the Conservation and Renewable Energy Demonstration Program.

The Tourism Agreement at the outset was realized as being only interim in nature. The bulk of the funds were used towards specific capital infrastructure projects. There was insufficient money available for incentives to the private sector, developing services and amenities in destination areas, or developing human capital. The Energy Conservation Program has only addressed approximately 10% of Yukon's businesses and has not touched the residential sector at all. The Demonstration Program only has funds for demonstration purposes. It has insufficient funds for large-scale adoption of these technologies.

4.3.2.2 Federal Government Programs

a) DIAND-Forestry Management Program

One of DIAND's functions is forestry management. However, there is only limited knowledge of the stock and sustainable yield characteristics of Yukon's forests. One reason for this is that Yukon's forests are of insignificant importance to the national economy, and therefore only limited efforts have been made to enhance the economic value of forestry.

b) Department of Fisheries - Fish Management Program

DFO has a mandate to manage fisheries in the north, but has limited funds to do so. The funds available are limited to the regulation of fishing according to national criteria. DFO has no mandate to concern itself with the socio-economic aspects of fish conservation regulations. There are few funds available to enhance the value of the fishing industry to Yukoners, as Yukon's fishing industry is of insignificant importance to the national economy.

c) CEIC - Employment and Training Programs

The Canada Employment and Immigration Commission (CEIC) and the Yukon Government signed a training agreement in November 1982, to be in effect for the period from 1 September 1982 to 31 March 1985. The major objective is to provide for the occupational training of the labour force and thereby better meet the needs for nationally designated skills. A key feature of the agreement is a provision for joint consultation. A Joint Committee was established to assess the requirements of the Yukon labour market with particular regard to training needs and the means necessary to meet such requirements.

Through its various programs, CEIC has promoted the development of Yukon's human resources. Expenditures in Yukon for 1981-82 amounted to $4 million over several program areas (excluding UIC benefits). The largest program elements were Institutional Training, Industrial Training and LEAP.

CEIC has also undertaken short-term job-creation initiatives in conjunction with YTG under Section 38 agreements and NEED to alleviate current economic conditions. These initiatives do not address the most basic long-term human resource problems in Yukon that were outlined earlier.

Although training programs under the National Training Act can be provided for most skills, some skills, especially in the oil and gas industry area, are not taught in Yukon because of lack of funds, and other skills, such as business management, para-professional and resource technician skills, are not provided for under the Act. The reason for this omission is that the Training Act provides funds for skill-training in areas where Canada, as a country, is deficient. It does not provide funds for skill-training in areas where there may be regional shortages but not national shortages. CEIC has programs for academic upgrading the Basic Training for Skill Development Program (BTSD) and the Basic Job

Readiness Program (BJRP). However, it has been de-emphasizing these programs over the last few years. In particular, there is very little money available for people with a very low level of academic attainment.

CEIC is responsible for manpower delivery in Yukon, but only in a 'reactive' manner. CEIC does not actively solicit potential employees for projects, rather it waits for potential employees to come to it. The process of hiring an employee through CEIC can take several weeks, much longer than the needs of big companies can afford. Therefore, major project proponents tend to hire people from the south through union hiring halls. CEIC has Outreach offices in three Yukon communities. However, these are also understaffed and underfunded.

CEIC administers two special long-term employment programs, LEDA and LEAP. LEAP (Local Employment Assistance Program) is oriented towards people with severe barriers to participation in the labour force and does not address the larger human resource issues in Yukon. LEDA would be useful if it was available. However, CEIC has been de-emphasizing LEDA over the past two years.

d) Business Assistance Programs

In Yukon, as in other parts of the country, there are various programs which provide business assistance funds and advice over and above what is available from commercial lending institutions.

Special ARDA: Financial and technical assistance for the development of employment opportunities in Yukon is provided by the Department of Regional Economic Expansion under the Agricultural and Rural Development Act (ARDA). This program is directed particularly towards improving the economic circumstances of Native people. It provides grants to Native people to establish, acquire and modernize businesses, funds projects intended to improve the income of Natives engaged in fishing, forestry and trapping, and provides counselling, training and special social services, not available under other government programs, to enable Native people to take advantage of job opportunities. DREE expenditure under this program in Yukon was $988,000 in 1981-82 and was forecast to be $1.4 million in 1982-83. Although Special ARDA is a successful program, it is only for Natives, and therefore does not address the needs of Yukon businesses in general. It is also limited in financial resources.

RDIA: Assistance to Yukon's small manufacturing sector is also provided by DREE under the Regional Development Incentives Act. $1.8 million were committed in 1981-82 to

be spent over several years. RDIA is a national program designed to stimulate secondary industry in accordance with national objectives. RDIA mainly provides assistance to the manufacturing and processing industries, which are almost non-existent in Yukon. Loan guarantees are available for new commercial facilities. However, qualifying loans must be a minimum of $100,000, which therefore rules out many potential small businesses. Indeed, no loan guarantees have every been given in Yukon. As RDIA cannot be used for the tourism and service sectors, or for specialty manufacturing, its usefulness in Yukon is limited. Expenditures amounted to only $0.2 million in 1981-82. Indeed RDIA funds are consistently underutilized in Yukon. In 1981-82 it was undersubscribed by $80,000.

EDP; The Enterprise Development Program (EDP) provides incentives for developing new products. This has never been used in Yukon as new products are rarely developed here. EDP also provides loan guarantees for loans of at least $500,000. Again, this is of little use for businesses in Yukon which tend to be of a much smaller scale.

Small Business Loans Program: The Small Business Loans Act authorizes the Minister of Industry, Trade and Commerce to guarantee against loss, loans made to

businesses by chartered banks and other designated lenders. The maximum total outstanding to a borrower is $100,000, and the gross revenue of the business in the year of application must not exceed $1.5 million. Any business in Canada in the manufacturing, wholesale or retail trade, service, communications, construction and transportation industries are eligible. Loans for inventory financing, working capital requirements or refinancing of existing debts are not eligible.

Fifty-one loans totalling $1,938,347 were guaranteed under this Act in Yukon in 1981. 65% of these were to the transportation and construction industries, with the remainder to service industries. On a per capita basis, the value of Yukon loans guaranteed under this Act was over three times the Canadian average. This demonstrates the demand for such a program relative to other parts of the country. One problem with the program is that a business must first approach the chartered banks which then use the program at their discretion. Banks have been unwilling to do this. The Small Business Investment Bank is also under this program. This gives an interest subsidy of up to 4% for bank loans above 12%. This is of little use as lending rates at banks are now approaching 12%.

FBDB: The Federal Business Development Bank provides loans to businesses which are unable to obtain funds elsewhere on reasonable terms and conditions. Most of its loans, therefore, are to small businesses. Commercial interest rates apply. Both fixed and floating interest rate loans are available for acquiring land, buildings, machinery and equipment, for working capital and for refinancing. There are no restrictions on the type of businesses for which loans may be obtained.

Twenty-two loans totalling $2,113,000 were approved in the Yukon by the FBDB in the 1981-82 fiscal year -- a substantial decrease, especially in terms of value, from the previous year when 27 loans for $3,750,000 were approved. Even in 1981-82, however, Yukon received about four times the value of FBDB loans on a per capita basis as did Canada as a whole. As of March 31, 1982, the 133 customers of the FBDB in Yukon had outstanding loans of $14,890,000, or about $600 per capita -- eight times the Canadian average. Again, this is a reflection of the demand for such services relative to more developed areas of the country.

In the first nine months of the 1982-83 fiscal year, FBDB authorized only 13 loans in Yukon, for $575,000. Four were in the tourist sector, seven in wholesale and retail trade, one in manufacturing and one in construction.

This sectoral breakdown is typical of the FBDB's loans in Yukon.

The FBDB also provides information, advice and training to businessmen through its Management Services Division. Between April and December, 1982, the FBDB provided counselling to 19 businesses under its CASE (Counselling Assistance to Small Enterprises) program. This counselling is provided by retired business people flown in for the purpose. Between April and December, 1982, FBDB also held 14 small business seminars in Whitehorse and Dawson attended by 219 people, referred 123 businesses to assistance programs, and provided 43 "clinic presentations" which combine a videotape with a workbook as a self-teaching management development program. Because of the depressed economy in 1982, activities of this nature were higher than usual while loans were much lower than in better economic times.

As a "last resort" institution, FBDB appears to provide reasonable service. There does not seem to be a need for another "last resort" service. However, FBDB has its disadvantages. FBDB charges commercial rates, and therefore provides few extra incentives for new businesses over chartered bank loans. CASE personnel may not be familiar with Yukon conditions, nor are they in a position to provide the day-to-day rapid service that a

local agency could provide. CASE is costly and only one in ten visits are considered to be useful. CASE personnel are often not acquainted with the particular problems of small businesses. FBDB runs business management and accounting courses. These are regarded as being useful. However, they need to be expanded in scale and depth in order for Yukon entrepreneurs to be able to exploit Yukon potential. Another problem with FBDB is that it has been unwilling to lend funds for projects in rural areas, where costs are generally much higher than in urban areas, and the risks are consequently greater. Another reason is that the value of collateral is usually much lower in rural areas, therefore it is difficult to obtain security for loans.

FBDB's usefulness in Yukon has recently become even more limited as a result of its decision to relocate its full-time officer to the south and only to keep its Whitehorse office open on a part-time basis. The reason for this decision was that there was not enough demand for its services in Whitehorse. Although an FBDB officer will fly to Whitehorse on demand, effectiveness will inevitably suffer.

IEDF: The Indian Economic Development Fund provides support and funding for projects that will contribute to the economic development of Indian communities and

individuals. Yukon has been allocated approximately $780,000 of the $70 million available nationally for direct loans. Over 90% of the $780,000 for the Yukon was outstanding as of December 31, 1982, compared with less than two-thirds of the $70 million in the direct loan fund in all of Canada.

Loans may also be guaranteed to Indians from banks, credit unions, etc. up to a limit of $30 million. No such loans are presently guaranteed in this manner in the Yukon.

The Indian Economic Development Program also provides contributions, technical and planning support, and training programs for economic development and planning support, and training programs for economic development projects. Approximately $400,000 was to be spent in Yukon in support of such projects in 1982-83.

IEDF, as with Special ARDA, is restricted to Natives, and therefore does not address the problems facing the wider business community.

Small Business Loan Fund: The $5 million Yukon Small Business Loan Fund was established in 1969 to promote economic development of Yukon by making "last resort" loan money available to small businesses.

Because of the cumbersome administrative procedure, the restrictions which apply to the loans, and the availability of loans through the FBDB, the commercial banks and other lenders, no new loans have been made from the Small Business Loan Fund for several years. Less than $1 million is outstanding. Negotiations had been underway since 1979 to have the funds transferred to the YTG and the regulations amended. This transfer was delayed in anticipation of its occurring within the framework of a broader business development assistance agreement negotiated under the EDA.

Conclusion: An indication that Federal business development programs are generally insufficient to meet regional needs can be obtained by examining the Federal Government's ABC Directory. This shows that Yukon is the only jurisdiction in Canada without its own specific program. All provinces and the Northwest Territories have their own programs, or programs that are cost- shared with the Federal Government. These are designed to fill in the gaps in federal programming. Incentives take the form of grants, interest subsidization, interest rebates, forgivable loans and research and development support. Generally the finance that can be obtained is much cheaper than can be obtained through federal programs. Program areas include tourism, rural development and industrial development. A example of how this cost

differential can affect Yukon is illustrated in the case of a small helicopter charter firm which relocated from Whitehorse to Atlin, B.C. due to the availability of infrastructure equalization grants, low interest loans and development grants in B.C.

The lack of such programs in Yukon puts Yukon businesses at a competitive disadvantage relative to the rest of the country. In addition southern businesses are deterred from establishing operations in Yukon.

In contrast to the lack of business development programs specifically addressed to Yukon's business community, federal program appear to meet quite well the business development assistance needs of Yukon's Natives, through IEDF and Special ARDA.

The cost-shared CYTA agreement demonstrated the demand for a Yukon-oriented low-cost business development assistance program. $1 million was set aside for business development. In contrast to RDIA, this was oversubscribed, demonstrating clearly the excess demand for such funding and that RDIA was not meeting this demand.

e) Federal Energy Programs - COSP and CHIP

Most people in Yukon are eligible to COSP and CHIP, and many have taken advantage of these. The heavy demand for wood-stoves is partially a reflection of this. However, the programs are limited to the residential sector and are restricted in the amount of money given out.

f) DIAND and EMR - Geological Program

DIAND and EMR undertake geological mapping and geochemical and geophysical sampling work in Yukon, but on a small scale. Lack of funds and manpower preclude the carrying out of larger scale programs that would likely induce an increase in mineral exploration.

4.3.2.3 Territorial Government Programs

Community Assistance Program

Many industrial projects, especially those related to developing the tourism industry, have not been developed because of higher infrastructure (such as roads, power, water and sewer) and energy costs in rural areas of Yukon. Infrastructure can cost anywhere up to ten times more in rural communities than in Whitehorse. The Community Assistance Program attempts to provide industrial land and basic amenities in smaller

communities as a means to equalize costs. However, the efforts do not cover a broad range of services in many cases. Also funds under the CAP are very limited ($2.5 million in 1981-82). It will be several years before basic amenities and industrial land are available at a minimum acceptable level in all communities. The Federal Power Support Program for small businesses in rural communities recognizes the need to equalize energy costs in diesel- serviced areas as a means to stimulate business development. Equalization of infrastructure costs should similarly be recognized and supported.

5.0 LONG-TERM ECONOMIC OPPORTUNITIES

There are numerous economic opportunities available to Yukoners this decade. Despite the present depressed state of the mining industry, Yukon is well-endowed with promising mineral deposits covering a large array of metals. Good opportunities exist of increasing both the number of metals produced and the number of companies operating in Yukon. The opportunities are particularly good for precious metals. This would inject an element of stability and diversity in the economy. There are abundant opportunities for Yukoners to become more involved in Beaufort Sea oil and gas developments. Eagle Plains also represents a promising oil and gas deposit. The tourist industry has vast potential for expansion. There are promising opportunities in the service, manufacturing and renewable resource industries. These opportunities are discussed in turn below.

5.1 Mining

The mineral potential of the Territory is considered to be very high. There are over 100 hard-rock properties staked out in Yukon. Of these, at least 35 are believed to be of commercial importance. In addition, GSC, DIAND's geology division, and the private sector are all of the opinion that there are large areas of mineralization that have yet to be explored. Finally, both industry and government departments believe there is significant potential for an expansion in placer mining activity, particularly in the Dawson Range area.

It must be recognized that, despite the present adverse economic conditions, mining still has a very important part to play in the Territory's economic future. Given favourable metal prices, measures to reduce the risk in exploration and increase exploration effort and measures to provide support infrastructure (such as access roads and power), Yukon could see several mineral deposits in production by the end of this decade. The measures needed to stimulate further exploration and production need not be very costly and could yield immediate and high returns. Yukon already has a good public highway infrastructure and is close to tidewater at Skagway. This gives Yukon an advantage that the more remote areas of most of the provinces do not possess.

The most promising known deposits in geological terms which are presently being explored are:

a) Lead-Zinc-Silver: Tom, Jason (both in MacMillan Pass), Howard's Pass, Marbaco, Vera, Tinta Hill, Quartz Lake, Mount Hundere, Grum, Vangorda, Dy (the last three are Cyprus Anvil).

b) Silver-Gold: Venus, Laforma, Mt. Nansen, Silver Tusk, Williams Creek, plus several other deposits, both placer and hard-rock, in the Mount Freegold area.

c) Molybdenum: Adanac (B.C.), Red Mountain, Casino.

d) Tungsten: Mactung (MacMillan Pass), Ray Gulch, CAB.

e) Copper: Minto, Casino.

f) Copper-Cobalt: Windy Cragge, B.C. (just south of the Yukon border on the Haines Road).

g) Barite: Tea (this operated briefly at the end of 1982), Raciote, Mel.

h) Coal: Bonnet Plume.

i) Tin: Klinkit, Elvan, Duval, Varley.

Exploration of known deposits is concentrated in particular areas (Whitehorse, Carmacks, Keno, Faro-Ross River, Southeast

Yukon) and on particular metals. This is a function of the tendency of companies to concentrate their efforts in areas where particular metal deposits have already been discovered and of the availability of access roads in the area.

However, DIAND, and EMR, have identified, through small-scale mapping and sampling programs, large areas of geological potential which have yet to be explored. These areas contain tungsten, uranium, asbestos, copper, platinum, chromium, molybdenum, tin, lead-zinc, gold and silver deposits.

The geological potential for placer gold is suspected to be very high, particularly the area between Mt. Freegold, the Alaskan border and Dawson. The Ketza River area (south of Ross River) is also suspected to have placer potential. A recent detailed study of placer mining by Ruth Debicki of DIAND's geology division in Whitehorse also concludes that there are probably several unexploited placer deposits in Yukon.

The economic potential of mining in the Yukon is a function of the costs of exploring and developing deposits, the future world prices of metals and competition from other parts of the world. Cost and cash flow constraints have already been discussed. Prices and competition are discussed below.

Future metal prices are partially a function of demand. According to EMR's Mineral Policy Discussion Paper (1981) world demand for base metals is expected to grow slowly in the 1980s. This is due to two factors. First, average annual economic growth rates in developed countries are expected to be lower than in the pre-1973 period (although higher than in the 1973-82 period). Second, the demand per unit of output is expected to decrease. However, the demand for zinc and copper is expected to be greater relative to lead and molybdenum. The demand for precious metals such as gold and silver is expected to remain high this decade. The demand for strategic minerals such as tungsten, tin, uranium, platinum and chromium is also expected to stay buoyant.

The slower rates of growth in mineral consumption, together with expected additions to global production capacity lead to relatively pessimistic price projections for base metals for the 1980s. EMR forecasts that annual average growth rates of real prices from 1981 to 1990 for copper, lead and zinc will be 3.5%, 0.3% and 2.5% respectively. EMR does not have a specific forecast for molybdenum but the price of this metal is only expected to grow slowly. The prices for strategic (tungsten, chromium, tin) and precious metals are expected to be favourable.

The presence of promising molybdenum, lead-zinc and copper deposits near Yukon will lower the probability of new mines for these metals being developed in Yukon this decade.

Yukon's deposits tend to be more inaccessible and remote and therefore more costly to exploit. Cominco has high hopes of developing the large Red Dog lead-zinc deposit in Alaska this decade. The Red Dog deposit is the same size as the present Faro orebody and double the grade. Faro is already one of the world's largest lead-zinc mines. Another mine the same size would greatly increase the world supply and create downward pressures on prices, World supplies have already been significantly expanded with the commissioning of the Polaris mine by Cominco a year ago. In addition, Noranda is planning to develop a lead-zinc mine near Juneau, Alaska by 1986.

The Red Dog deposit makes it unlikely that the large Tom, Jason and Howard's Pass deposits will be developed this decade. However, it is unlikely to be a factor deterring the reopening of Cyprus Anvil mine and the development of the Grum, Vangorda and Dy deposits that Anvil already has plans for. The Red Dog deposit will cost over $500 million to bring into production. The means of transporting the concentrate to tidewater is still a problem. Anvil, on the other hand, has its infrastructure already in place and has a link to tidewater at Skagway. The development of the Red Dog deposit is also unlikely to hinder the development of some of Yukon's more promising small lead-zinc deposits, for example, Marbaco, Vera, Tinta Hill and Mount Hundere.

There are large low grade copper deposits in B.C. (Shaft Creek and Highland Valley), which may lower the chances of a new copper mine in Yukon. The best prospect is the Minto deposit, near Carmacks which, though small, is relatively high grade and near to the Klondike Highway. A major cost constraint to the development of the deposit is the cost of removing the overburden. There is a possibility that NEED money could be used for this. Another significant possibility is the Casino deposit, northwest of the Mount Freegold area. This is a very large, grade copper and molybdenum ore deposit. The chances of this deposit being developed would be significantly increased if a road was constructed from the Mount Freegold road to the deposit.

The very large Quartz Hill molybdenum deposit in Alaska makes it improbable that the Adanac and Red Mountain deposits will be developed this decade. The Quartz Hill deposit's proximity to tidewater gives it a significant advantage.

The prospects of favourable precious metal prices this decade should enhance the probability of new hard-rock gold and silver mines and new placer operations coming onstream this decade. United Keno Hill should come back into production. UKHM should also activate the Venus Mine, south of Carcross. The most promising hard-rock deposits lie in the Mount Freegold and Ketza River areas, particularly the former, where the Mt. Nansen and Laforma deposits are located. The Ketza

and Stump silver-lead deposits would also be promising if the access road was upgraded and a bridge constructed over the river. The most promising placer deposits are in the Dawson Range area.

The Mactung deposit has very high promise of being developed this decade. Amax, the operator of the deposit, controls the western market and therefore the price. Amax predicts a potential shortage of tungsten by 1986 which could be filled through Mactung. This property is the largest known tungsten deposit in the free world. The mine would employ over 300 people and has a potential lifespan of several decades.

Barite is an aggregate mineral which is used to counteract pressure when drilling for oil and gas. There is a plentiful supply of it in Yukon. This factor, when combined with the increasing scale of operations in the Beaufort, makes the Yukon an attractive source of supply. A barite mining company recently commenced operations at the Tea deposit in MacMillan Pass after obtaining contracts with Gulf and Esso to supply 6,000 tonnes of high grade barite in 1983. If this venture proves to be a success then the oil companies are expected to increase their purchases from Yukon. Likewise, there is potential for the oil companies at Prudhoe Bay to begin utilizing barite from Yukon.

The prospects for a major coal development in the Bonnet Plume area this decade are good. The deposit has reserves large enough to support a 210 MW thermal generating station, with power being delivered to the existing grid at Carmacks. The mine would employ 200 people.

Studies commissioned by Aberford Resources, the controller of the deposit, reveal that the cost per kwh at Carmacks from 210 MW plant would be very competitive when compared to the rates that would prevail at three small potential hydro dam sites that NCPC is studying (False Canyon, Ross Canyon, Hoole Canyon). However, it is not competitive when compared to the very large hydro projects that NCPC is also considering (Mid-Yukon, Granite).

5.2 Oil and Gas

Yukon's best opportunities lie in the Beaufort Sea (including Norman Wells) and Eagle Plains. Activity in the Beaufort is gradually stepping up. Esso and Gulf are expected to increase the scale of their activities in 1983, with the commencement of multi-million dollar exploration and development programs. Gulf recently completed the construction of a base at Tuktoyaktuk designed to accommodate several hundred people. Gulf is also proposing to construct a port at Stokes Point on the Yukon coast. A government decision concerning Gulf's application for this port has not been reached yet. There is concern about the adverse environmental effects that such a port could cause.

The major oil companies have committed over $1 billion in expenditures over the next few years. If Yukon could attract only 5% of this investment it will mean an added $50.0 million to the economy in spin-off benefits. In 1982 the Beaufort companies spent $1-2 million on goods and services in Yukon and employed around 50 Yukoners (including 25 Yukoners at Esso's Norman Wells project). Yukon's energetic business community, skilled labour force, and Dempster Highway connection are factors in favour of increasing opportunities in the Beaufort. As mentioned earlier, Yukon sources of barite could, if the "Tea" deposit experiment is successful, replace a significant share of barite presently imported from Nevada. Also, the attractiveness of Whitehorse as a place to live might, along with its proximity, induce oil companies to rotate their work forces to and from Yukon. It is significant that companies on Alaska's North Slope only rotate their work force within Alaska and not to and from the lower 48.

Development in the Beaufort, however, is by no means certain. A commercially-sized field has yet to be proved up. Declining world prices of oil may cause the postponement of production as Beaufort oil would be considerably more expensive than alternative sources at present prices. Therefore, it would be unwise to rely upon the Beaufort as a long-term opportunity for Yukon.

Another important issue to be considered with regard to Yukon's opportunities to benefit from North Slope developments is the COPE claim. Land on the North Yukon Slope was withdrawn from mineral and hydrocarbon exploration in 1978 for a proposed National Wilderness Park in accordance with the Agreement in Principle signed between the federal government and the Committee for Original Peoples' Entitlement (COPE), representing the Inuit of the Western Arctic. Issues related to possible road access to the Beaufort Sea from the Dempster Highway and the development of shorebase facilities for hydrocarbon exploration and production are still to be resolved.

Westmin Resources received permission from COGLA in 1982 to drill for oil and gas in the Eagle Plains area in 1983-84. Exploration efforts prior to 1973 revealed 82 BCF of proven gas and 500,000 barrels of proven oil, with probable additional gas reserves of 12.5 BCF and probable additional oil reserves of 969,000 barrels.

Although the deposit is not large, it could satisfy Yukon's domestic needs. The economic viability of the project has yet to be assessed. The logistics of transporting the products need careful attention, particularly the transportation of natural gas.

The Foothills Pipeline and the construction of a pipeline from the Kotaneelee gas fields (in southeast Yukon) to Yukon's population centres are two less significant opportunities in the oil and gas sector. The Foothills pipeline, although once regarded as being a major economic opportunity for Yukoners, is now unlikely to proceed this decade. In the extreme southeast corner of the Territory, the Kotaneelee gas field provided Yukon's only producing well in 1979 and 1980. Gas from this well and from the Pointed Mountain gas field nearby in the N.W.T. was piped through the Westcoast Transmission system to B.C. and American markets. The Pointed Mountain field is still in limited production, but production from the Kotaneelee field was suspended in December, 1980. A pipeline from the Kotaneelee gas field would provide many construction jobs and would alleviate a major constraint to economic development if it proved to be cheaper than presently utilized sources of energy.

5.3 Secondary Processing of Non-Renewable Resources

Secondary processing could greatly enhance the value-added Yukon derives from natural resource operations. EMR has established that there may be a need for a smelter on the west coast sometime in the 1980s or 90s, and it has commissioned a number of studies on the optimum location for an aluminum smelter and/or a lead-zinc smelter, provided a cheaper source

of power can be found. However, electricity from Bonnet Plume coalfield or from the possible hydro-electric dam sites on the Yukon River could be cheap enough to meet this condition; in turn, a proposed smelter would enhance the viability of mega power projects.

Other opportunities for secondary processing include gold refineries, custom mills and petro-chemical refineries. At present, all gold mined in Yukon is exported without further processing. There is potential for small-scale gold refineries to operate in Yukon and indeed one such operation (Tech Corporation) was established in Whitehorse in 1982. This company went into receivership after only a few months. However, this was more a reflection of bad management than lack of viability. The recent collapse of Delta's refinery in Vancouver means that Yukon placer miners have no place to have their gold upgraded. A meeting between YTG officials and leading placer miners revealed that placer miners consider that some form of upgrading facility is imperative in Yukon. Yukon would be the optimal location for such a facility as the transportation costs are much lower for the upgraded product. Tech's facilities in Whitehorse are still intact. Although the opportunity is there, the problem facing the placer miners is to find some mechanism to induce a company to establish a facility or to establish a co-operative arrangement.

A custom mill, if established in major mining areas (or in Whitehorse), would mill the products of different mines. This would be ideal for high grade small scale mines which cannot on their own justify the construction of a mill. Apart from enhancing value-added from mining in Yukon, the establishment of custom mills would stimulate mining developments by improving their financial viability. It is noteworthy that the Government of Ontario has a program designed to facilitate the construction and operation of custom mills.

If oil and gas is produced in the Beaufort it may become feasible to establish a refinery on the North Slope of Yukon or the N.W.T. Studies commissioned by DIAND have already indicated that a topping plant may be feasible. If such a plant is established the spin-off benefits for Yukon labour and business could be considerable.

5.4 Tourism

The tourism industry is built upon Yukon's colorful history, its position as a link to Alaska, and its abundance of pristine wilderness. There is considerable potential for an increase in the scale of tourist activity based on these themes. As noted earlier, the 1980 Sub-Agreement made initial progress towards realizing this potential.

Future initiatives should build on these successes. There is a need to increase the attractiveness of popular destination areas such as Dawson, Southern Lakes, Whitehorse and the Kluane region by improving the quality of services and facilities and expanding the variety of tourist attractions in these areas. The wilderness adventure concept is still largely undeveloped in Yukon, but there is great potential for tapping markets outside North America, particularly Japan and Southeast Asia. Finally, there is great potential for making Native history, heritage and culture a major tourist attraction.

The Council for Yukon Indians has demonstrated a strong intent to foster the development of Yukon's tourist industry in this direction. They see Yukon offering landscapes, wildlife, history and Indian culture, the latter of which is tied historically and inextricably to the wilderness.

A well-developed articulation of this intent can be found both in the Champagne/Aishihik Band's proposed Tourism Development Plan for the Kluane Region and YTG's draft plan for the development of the Kluane Region. The focus is on the development of a wilderness adventure travel industry which would make the best use of existing resources, while preserving their integrity, and would create opportunities for the tourists' personal satisfaction as well as for commerce. The unifying theme of Indian culture and history and Gold Rush history would give depth to the land and would further the appreciation of wilderness.

5.5 Renewable Resources

Yukon's renewable resources include forestry, agriculture, fishing, hunting and trapping and recreation. They provide an opportunity of diversifying and strengthening the economy by increasing value-added through increases in exports and import substitution. Indeed, this was a rationale underlying the 1979 Renewable Resource Agreement.

An important question which remains unanswered is whether renewables can be viable in the northern economy. Government programs to date have not fostered self-sustained development in renewable resources, which remain dependent on the continuation of such support. Although numerous problems do still remain, many nations and organizations maintain that renewable resources could be developed in the North in an economic, responsible and energy efficient way. A great deal of funding has been devoted to scientific investigations to determine the extent and productivity of various resources and their susceptibility to disturbance. Today, however, profitable harvesting or cultivation seems a real possibility.

5.5.1 Forestry

Yukon has 219,000 square km of forest (41% of the land

area), but only 67,000 square km would produce a merchantable forest crop within a reasonable period of time, and only 23,000 square km of this is readily accessible at present.* Merchantable stands of white spruce and lodgepole pine occur around Watson Lake.

The slow growth rates of trees in the north, the lack of detailed information on the quality and quantity of the stock, the distance from southern export markets and the limited resources available for a marketing effort in Alaska are constraining factors that may put a limit on the extent that the forestry industry can grow.

Cattermole Timber has added a dry kiln to its operation making it one of only two sawmill operators with a dry kiln north of 60° (the other one is in Alaska).

Cattermole Timber has a good potential market for its products in Yukon and Alaska. Yukon building supply dealers prefer to sell kiln-dried lumber which is presently

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* Royal Grenier, In Search of a Forest Policy for the Yukon and Northwest Territories, submitted to the Northern Renewable Resources Branch, Indian and Northern Affairs (Quebec City: Darveau, Grenier, Lussier and Associates, 1982), pp. 14-15.

imported from B.C. Cattermole has the potential to satisfy all of Yukon's demand for kiln-dried lumber. Its proximity to Whitehorse gives it a freight advantage over B.C. suppliers. Cattermole's proposal to utilize wood-waste to generate power would lower its power costs and make the enterprise more competitive with southern firms.

Freight cost factors also should give Cattermole a competitive advantage in the supply of kiln-dried lumber in Alaska. In addition, stumpage rates are much higher in Alaska than Canada. Annual demand in Alaska is 75-100 million board feet (mmbf), of which only 8-10 mmbf is supplied from within Alaska. The remainder currently comes from the lower 48 and B.C. Cattermole's capacity is 50 mmbf. Therefore it could run at capacity and sell all its product.

Yukon's forests are capable of meeting the local needs for heating fuel to a greater extent than they do at present. Conversion to wood heating is also consistent with the National Energy Program. Businesses involved in supplying firewood needs could be supported through improved access to public forests, provided that cutting is carried on in a manner which does not jeopardize the hunting and trapping industry or the forest's potential for rejuvenation.

The local demand for lumber and for rough timber for use in Yukon's mines should also be met by the Territory's forests. The Dempster Highway may enable Yukon's forests to supply part of the demand for construction materials to accommodate the population increases expected to occur in the Mackenzie Delta communities, particularly Inuvik, if Beaufort Sea oil and gas enters production.

5.5.2 Agriculture

Approximately 630 square km of potentially arable land occur along the flood plains of the Stewart, Pelly, Yukon and Liard Rivers. Little of this is used because of factors such as climate, accessibility, high costs of developing land, and lack of knowledge of techniques. However, a small number of people do grow their own food which, because it is fresh, is of much higher quality than imported food, although the costs are probably much the same. There is potential for Yukon's small agricultural industry to expand to supply Yukoners with some food stuffs and thereby reduce the Territory's dependence upon outside sources. At present there are only a handful of farmers in Yukon but this number could easily be increased through the opening of new land for market gardening, and limited cattle ranching and grain production, the development of cold climate agricultural techniques, and the provision of financial incentives and technical assistance.

CYI suggests the initiation of experimental small-scale production, with governments accepting greater responsibility. In particular, the Council suggests that the commercial exploitation of berries and indigenous plants could be encouraged and undertaken through gathering or horticulture. They also suggest the encouragement of animal husbandry which indicates real potential, as the good quality of the meat has been established and the region seems well suited to such activity.

5.5.3 Fishing, Hunting and Trapping

Yukon has an abundance of fish and game resources. Many animals are also hunted and trapped for their furs. A significant portion of the population, particularly the Native population, are involved in these land-based activities, both in a subsistence and a commercial sense.

Efforts to increase the volume of renewable resource activity in this are already being successfully undertaken by Han Fisheries in Dawson and Yukon Native Products in Whitehorse. In Inuvik, a cooperative Inuit venture successfully markets game and fish products all over North America (ULU Food Products). There is undoubted potential for a similar venture in Yukon. The prospects of satisfying the demands of Yukoners for meat and fish from Yukon's own

resources are appealing, and would also serve as a major tourist attraction.

CYI recommends the establishment of commercial fisheries catering to local markets. In addition they favour the establishment of fish processing plants, also geared to local production, emphasizing the use of the entire fish; and the establishment of fish farms utilizing existing energy sources such as hot springs. Finally, they advocate encouragement to the limited commercial fishing of non-sport fish, and limited sports fishing for domestic use, as an adjunct to the tourist industry. The CYI further recommends that complementary supply and consumer industries such as meat production for local consumption be established.

While the innovative use of indigenous food sources might, at first, be designed to meet a need within the Yukon, the development of a home industry might ultimately lead to an export industry. A proven local industry rearing domesticated moose, reindeer, buffalo, or elk for meat, for example, might have considerable export potential.

An advantage to concentrating upon the commercial production of indigenous food is that there exists a substantial part of the Yukon population, the Indian population, which is already versed in much of the knowledge required to exploit the potential. So far, most of this knowledge has been used in

subsistence hunting and gathering, but much of the necessary knowledge and skill already exists. The commercial potential has yet to be realized. All of these recommendations represent promising possibilities through which to utilize existing skills, increase local employment opportunities, and curb the rising costs of importing food. Market research will, however, be a necessary first step in this direction.

Trapping was for generations the mainstay of the Indian population. Over the past 20 years, as prices fluctuated, costs increased, and other vocations became available, an overall decline in trapping has occurred. The Council believes that trapping could be sustained at higher levels of production, and points out that trapping remains an important source of income for some communities during the winter.

Three sources of funding are presently available to trappers in the Yukon Territory. The Community Trappers' Assistance Program provides funds only for "special needs" such as the replacement of equipment that has been lost, stolen, or destroyed. The amount available for this program has declined considerably in the past few years. In 1982 the Yukon Trappers' Association received funds from Special ARDA to establish a revolving loan fund to assist individual trappers. However, due to the strict eligibility criteria enforced, few trappers have applied for these loans. Special ARDA can provide loans only to group trappers, of which

there are three, for capital assets to improve income. The CYI feels that these programs only respond to minor specific needs. They point out that there are more than two hundred individual trappers who require assistance, particularly in order to expand their traplines, and to improve on-trail facilities in addition to transportation and communication.

The CYI sees the need for alternative arrangements to provide direct assistance for essentials and for the improvement of trapline facilities, transportation, and communications. Measures are needed to increase trapping, to harvest the more abundant species, to obtain high quality furs, and to obtain the best possible prices.

5.5.4 Recreation

Recreational activities are fundamental to the preservation of a good quality of life for Yukoners and highly compatible with the tourism industry. The 1979 Renewable Resource Sub-Agreement made a significant start to the further development of recreation potential through the construction of several campgrounds. Construction of further campgrounds and development of hiking trails, wilderness trails and campsites and development of Territorial parks would further expand Yukon's recreational potential. These facilities would induce residents to explore their own Territory more rather than travelling elsewhere. As well, they would induce tourists to

stay longer within the Territory and therefore enhance the value of tourism in the economy.

5.5.5 Manufacturing

The manufacturing industry represents less than 1% of GTP at present. However, there are opportunities for expansion.

Yukon's renewable resources provide major opportunities for manufacturing. The availability of Yukon lumber at a lower price than B.C. lumber might be a significant factor underlying the feasibility of establishing and operating a wood products factory in Yukon. The slow growth of Yukon's forests means that the pine produced in Yukon has a much finer grain and is therefore useful for furniture production. The close proximity to the ocean might even make it feasible to establish an export-based factory along the lines of IKEA, a large Swedish company which has had huge success in marketing its products in Canada.

Yukon's native arts and crafts industry also has significant potential for expansion. Expansion would induce greater tourist expenditures and therefore increase the benefits of tourism. There is considerable artistic talent in the Territory, particularly amongst the Natives, which is scarcely exploited. Arts and crafts industries have been successfully established in the Maritime provinces and Yukon is convinced

that this can happen here. Arts and crafts are already produced on a limited scale in small communities. However, a much greater marketing effort is necessary in order for these products to be available to tourists. The limited capital funds available and limited entrepreneurial skills means that government assistance is undoubtedly necessary to stimulate the growth of this industry. The Yukon Native Products factory, which specializes in parka manufacture using Yukon furs, is an example where government assistance (Special ARDA and RDIA) has successfully stimulated a local manufacturing business. This factory is now selling its products all over North America and is considering opening offices in B.C. and Alaska.

There is potential in Yukon for replacing any goods that are in continuous demand and which have a high transportation cost component. The prospects of increasing fuel costs may induce businesses to switch from established southern suppliers to local suppliers. Some of the requirements of the mining industry seem to be within the realm of small-scale manufacturing operations, and the market in wear-parts seems particularly promising. Activities of this nature would also improve backward linkages in the economy and increase the value-added from mining.

There is also, perhaps, potential for attracting high technology industry to Yukon (e.g., a computer

manufacturing firm). This industry has developed a reputation for being "footloose", moving to areas where there is a skilled labour force, low property costs and proximity to tidewater. For example, MITEL has recently announced plans to establish a factory in New Brunswick. Yukon could be considered to be an attractive location for a high tech firm. Factory space is cheap relative to southern locations, Whitehorse is only 110 miles from tidewater, and there is a large unemployed labour force, particularly now that the mining industry is dormant.

In addition, some of the requirement of government agencies could perhaps be met locally. Finally, transportation cost factors may make it feasible to establish beverage manufacturing operations in Yukon. A brewery, for example, could replace at least some of the beer that is currently imported and induce tourists to stay longer in Yukon.

The CYI has emphasized the potential for small-scale manufacture in different communities utilizing "intermediate" technology. The development of a large-scale mass production manufacturing sector is seen to be impossible given the small local market, the high costs of production and the long distances to external markets.

Intermediate technology is a low-cost, small-scale, community-based technology adapted to human needs. It has seen widespread use in America.

Intermediate technology seems an appropriate method of addressing some of Yukon's economic problems. Many of the Native people, and a significant portion of the non-natives outside Whitehorse, are reluctant to move beyond their own localities and learn new skills. Intermediate technology emphasizes the enhancement and elaboration of existing skills in order to meet local needs. For example, hydropower or millpower may be developed from small or irregularly flowing creeks that are of insufficient potential for use in an electricity grid. Non-salmon species may have too slow a renewal rate to produce an export industry but might easily provide processed fish to a Yukon community. Surface coal may be of insufficient quality and supply to provide an export industry but might be utilized by a community for heating, power or local manufacture. Small quantities of native copper might be used to produce tools and cooking implements for local use. Intermediate technology could also be used to stimulate the development of the arts and crafts industry. The possibilities of such technology are limited only by the amount of imagination employed in their use.

Although intermediate technology sounds like a good idea, substantial research is undoubtedly necessary before it can be practically applied.

5.7 Service Sector

The secondary and tertiary sectors of the economy include the transportation, construction, contracting, retail and wholesale trade and hospitality industries. These sectors have grown in the past in response to primary sector developments, such as the growth of the mining and tourist industries and major construction projects.

Many businesses that have been set up are southern-based firms which have decided that a northern branch would be viable. Examples are Finning Tractor, Elvin's Equipment and Yukon Freightlines.

Major opportunities for the service sector this decade include exploration, development and production activities in the Beaufort Sea and at Norman Wells, the NCPC 4th Wheel project in Whitehorse, construction of the new Whitehorse Airport Terminal, the Shakwak Highway project, reconstruction of the North Canol Road, and development of Amax's Mactung property. In addition, the increased population that is induced by these projects will create business opportunities in the retail sector.

5.8 Land Claims Settlement

There is a high probability that Yukon Indian Land Claims will be settled within the next two years. The settlement will result in the influx of several hundred million dollars into the Yukon over the next 20-30 years, starting in 1985. The Native sector of the population will, as a result, have an opportunity to lift themselves from their present disadvantaged position. The business opportunities resulting from the settlement will be available to all Yukoners. The settlement will remove the uncertainty that has pervaded the economy for several years and which has been a deterrent to investment. Finally, the settlement will remove several potential land-use conflicts and therefore allow the federal government to free up land for development purposes.

6.0 Strategy for Growth and Development

The current collapse of the Yukon's economy clearly shows the extreme fragility of the economic foundation. The extreme dependence upon one company (Cyprus Anvil) and one industry ensures the perpetuation of a "boom and bust" syndrome for many decades.

Yukon believes it has the capability to reduce the severe fluctuations in the economy by broadening the economic base and strengthening the various economic linkages.

Opportunities abound for expanding the tourist industry, developing renewable resources such as hydro, forestry, fishing and agriculture, and enhancing value-added through secondary processing and specialized manufacturing. Significant improvements to infrastructure, particularly in the transportation and energy sectors, and the development of strong regional communities will contribute to economic enhancement and will also encourage the movement of people into Yukon, to live in Yukon, and to develop Yukon. Human resource and business development initiatives will ensure that Yukoners and Yukon businesses will be in a position to benefit from these opportunities.

An assertive and carefully coordinated development thrust is required on the part of all government agencies to ensure that the opportunities for developing Yukon's economy are realized. The overall direction of development policy for Yukon will utilize judicious planning and research to create a policy and planning framework designed to strengthen and expand key sectors, equalize and enhance opportunities for all Yukoners and develop more responsible government.

The Government of Yukon and the Federal Government have identified a number of strategy elements which will form the basis of their development approach in the 1980s. They have been identified according to the various opportunities available to Yukon over the next decade and the constraints

preventing these opportunities from being realized. They are listed in approximate order of priority. The priority of each element reflects the importance of the element in the development effort, the extent of the contribution that government can make towards promoting that element, and the urgency with which that element should be implemented. The elements are listed below:

a) Strengthen Yukon's economic base by placing emphasis on improving Yukon's tourism industry through efforts to develop destination areas, promote the wilderness adventure and heritage concepts, improve the private sector capital stock, and enhance the marketing of tourist products.

b) Provide the basis for diversifying and strengthening Yukon's economy through provision of enhanced research and planning capability in order to properly promote development opportunities in Yukon.

c) Increase participation by Yukoners in all aspects of development through improved training education and access to job opportunities.

d) Diversify Yukon's economy through efforts to encourage business development in other sectors, including the manufacturing, service, tourist and secondary processing industries.

e) To strengthen Yukon's economy through efforts to eliminate identifiable constraints to resource exploration and development, create new spin-off opportunities within the industry and encourage further processing of primary products.

f) Establish the base for longer term diversification of the economy by developing measures to enhance the economic value of Yukon's renewable resource industries through intensified research, data collection and analysis, development and implementation of management plans, and enhanced regional planning capability.

g) Allow for an orderly expansion of Yukon's economy by reducing, if not eliminating, major constraints to development, namely excess dependency on high cost energy, and on inefficient and insufficient transportation system.

h) Encourage new development opportunities in communities, attract new residents to development opportunities, optimize the opportunities of current residents to take advantage of development opportunities, and induce people to live in Yukon longer, through measures designed to enhance community planning capability, enhance the quality of life in selected communities, and remove infrastructural and service constraints to economic development in communities.

1) Design and implement administrative systems intended to increase the degree of cooperation of all levels of government in directing programs in support of Yukon policy initiatives, thereby simultaneously reducing regional economic constraints to development and supporting national development objectives.

The measures that are necessary to change the basic structure of the economy are largely beyond the financial capability of Yukon, and fall outside the scope, or are beyond the financial resources of, present federal programs. It is suggested that the proposed development strategy be implemented within a carefully coordinated planning framework, with participation at all levels of government. Some of the measures could be implemented within the framework of an EDA. Programs for implementing these measures under an EDA are suggested in the next section. The strategy elements outlined above are discussed more fully below.

a) Measures to Enhance the Value of Tourism to Yukon's Economy

Measures need to be taken to improve the travel product in key destination areas, develop the wilderness travel industry and heritage industry, and extend the travel season. Emphasis will be on improving the quality and quantity of tourist infrastructure, facilities and services,

and on increasing the marketing effort. Measures will include an enhanced research and planning capability, financial incentives to prospective tourist businesses, technical and consulting assistance, new and expanded training programs, enhancement of tourist attractions and a community beautification program.

Tourism, although it is already an important source of stability, still has considerable untapped potential. Moreover, much of this potential has already been researched and the constraints to the realization of the potential identified. The nature of the constraints implies that government can play a major role in developing the tourism sector, partly through direct government expenditure on public infrastructure and services, but mainly through financial and consulting assistance to private businesses and enhanced planning capability.

The priority of this element should be very high, in terms of the potential of the sector, in terms of the relatively quick returns if this element is implemented immediately, and in terms of the need to boost the tourist sector immediately in order to help offset the decline in the mining industry.

b) Enhanced Research and Planning Capability

The potential of Yukon's various economic sectors is, in many cases, not adequately known. In order for Yukon to plan effectively to realize opportunities, it must have an adequate knowledge base and, just as important, an adequate means of collating and analyzing data. Yukon also needs to have more funds and manpower in order to research and develop pilot projects in certain areas, such as renewable resources, and determine whether larger projects in these areas would be feasible. Funds are needed to fully research new opportunities available to Yukon in all sectors of the economy, to identify those constraints preventing those opportunities from being realized and to develop strategies for encouraging business ventures in fields with good prospects. There should be special emphasis on the potential of small-scale developments at the community level. An enhanced research and planning capability is also necessary in order to plan effectively for the maximization of benefits to Yukoners from mega-projects such as the Beaufort and MacMillan Pass. Such projects need careful planning for infrastructure, social and community services, manpower delivery, business development, etc. A transportation strategy needs to be developed in Yukon so that the most cost-effective system of transportation infrastructure can be established. An immediate problem

is to determine the future role of the White Pass Railway in Yukon's economy. A road development research program is of great importance. A better method of collating traffic data needs to be developed in order to plan more effectively for future highway construction and reconstruction. A cost- efficient system of regional resource roads and airstrips needs to be planned and developed in order to remove one of the major constraints to mineral exploration and development.

Planning is not an activity that should be undertaken exclusively within government, although, working jointly, the federal and territorial governments must take the lead. It should involve all groups that have an interest in the sector that is the subject of planning. Thus the business community clearly has an interest in business oriented planning, as has the CYI, which may soon have substantial sums to invest via the Yukon Indian Development Corporation. The CYI would also have a strong role in research and planning in the area of renewable resources.

c) Measures to Increase the Participation of Yukon's Human Resources in Yukon's Economy

There is considerable scope for government action to assist northern residents to develop the skills and

expertise necessary for full participation in community-based economic development and to take advantage of opportunities in major resource developments. Specific skills training will be required, particularly related to the Beaufort Sea developments, as will trades retraining to enable unemployed skilled workers to make the transition to alternate demand opportunities. Measures will also be needed in order to facilitate access to those opportunities through the development of efficient manpower delivery programs. There is not much point in training people for employment in the Beaufort if there is no efficient means of screening and placing employees. Specific measures such as the establishment of community labour pools, the establishment of hiring offices could be considered.

A large portion of the population requires academic upgrading and life skills training components including financial and drug/alcohol abuse counselling, to assist them in their attempt to enter the wage-earning labour force. While the levels of academic upgrading required varies to some degree, much of it is at the basic literacy level. The upgrading, plus the life skills and counselling are outside the scope of current programming and should therefore be addressed by joint- funded incremental measures.

There is also a need for broadly-based business management training to both enable Yukoners to take advantage of incremental business opportunities, and to deliver skills that will help in minimizing the frequency of business failures. Included would be training in leadership development, and entrepreneurial and accounting skills. While the populace at large would be targeted, the program developed would be of particular value to Native Band administration, managers in the Co-op movement and small business management. Business investment should also be stimulated, perhaps by an initiation of CEIC's Local Economic Development Assistance (LEDA) to stimulate employment development in Yukon communities.

Geography has also been a deterrent to Yukoners to avail themselves of training opportunities. Because of an aversion to temporary relocation to Whitehorse to attend the Yukon Vocational and Technical Training Centre, many rural residents would benefit from the development of a mobile learning capacity within the adult education system. Academic upgrading, skill theory and perhaps practice, and business management could be offered in remote locations, through some combination of mobile units and existing community learning centres.

While the foregoing actions on the part of government will assist measurably in the development of human resources, in-depth analysis of the complex Yukon labour market is required in order to fully appreciate the labour adjustment mechanisms required therein. A jointly funded research and planning undertaking could study the many aspects of the Yukon labour market and suggest means of improving its efficiency.

The Council for Yukon Indians has pointed out the need to enhance the existing skills of Natives in order to allow them to participate quickly and effectively in renewable resource and tourism opportunities. CYI argues that skills in bushcraft, understanding of plants and animals, knowledge of culture, history and art forms, commercial fishing, game farming and berry production have been overlooked and can be developed productively. CYI points out, quite validly, that training and investment in high technology investments are long-term activities, which, because of the changing economic climates, have no certainty of return. Programs should therefore be put on to develop some of these skills.

This element must have a high priority. Yukon's many economic opportunities cannot be expected to materialize if the human resources are not there to develop them.

Also, economic development must give all residents an equal opportunity to participate. Human resource development is an area for which government has traditionally taken responsibility. The government is in a position to take quick and effective action as the institutional mechanisms are already largely in place. Immediate action is necessary in order for Yukoners to take advantage of Beaufort and Norman Wells opportunities.

d) Measures to Develop Yukon's Manufacturing, Service, Tourist and Secondary Processing Industries

Measures are needed to strengthen the entrepreneurial base of the Territory and to enhance Yukon ownership and influence on future development. The measures would include the identification and research of development opportunities and promotion to the private sector, and the development of a business consulting system and a system of financial incentives, designed to fill in the areas not met by present federal programming. Those measures recognize that more generous assistance needs to be provided to businessmen or prospective businessmen to assist them in identifying opportunities, in developing plans around such opportunities, in seeking appropriate loan packages, and other such measures and that such assistance should not necessarily

just take the form of financial assistance. A basic "store-front" advisory service containing information on basic procedures and available instruments seems warranted. Also a corps of "live-in managers" who would stay with a fledgling business until it was on its feet would be warranted, in recognition that ongoing management is a critical problem and that programs such as CASE have not been satisfactory and intensive management skill-training courses at the Yukon College have not been available. The need for developing a good managerial corps in Yukon is particularly great now in view of the increase in the numbers of willing inexperienced entrepreneurs created by the collapse of the mining industry.

In recognition that business costs vary greatly between urban and rural areas and between communities, resources should be provided to equalize business costs between communities. would not be a cross-subsidization scheme in which businesses in lower-cost communities such as Whitehorse and Watson Lake should subsidize businesses in higher-cost centres. What is intended is the direct absorption by government of a higher portion of input costs, such as infrastructure and the type of "live-in management" maintained above, that are particularly discouraging to the establishment of small, important businesses in outlying communities. The principle governing this form of assistance is not that people should be rewarded

for attempting to set up businesses in marginal locations, but rather that such businesses may be an important part of the strategy to develop new industries, particularly the tourism industry. They may also be important as sources of supply and employment at such locations and should therefore be encouraged.

This item should have high priority in the development strategy, as expansion of these sectors would contribute towards diversification of the economic base and the constraints to development of business are already known. It should be implemented immediately so that potential businesses, or businesses facing problems, or businesses wishing to expand can take advantage of the program. There is potential for quick and effective returns. Also, immediate implementation would enable feasibility studies into potential opportunities to commence right away, in order for projects to be planned and implemented within the next two years.

e) Further Development of Yukon's Non-Renewable Resources

This strategy element recognizes that mining can still play an important role in the economy, particularly if key constraints such as costs of access, costs of power and lack of information on mineralized areas can be

overcome. It is recognized that Yukon is well-endowed with a diverse array of minerals, many of which have optimistic price prospects.

The objectives of this strategy element are two-fold. First, to strive for diversity and stability by increasing the number of mines in production, increasing the array of metals produced, increasing the number of mining companies operating in Yukon, achieving some variety in the size of mines operating in Yukon and, finally, increasing the degree of processing of minerals in Yukon. If there are a multitude of mines operating in Yukon, then there will be less chance of all of them shutting down at once than if there were only two or three -- the economy would therefore be more stable. The same would hold true if there were a wider range of metals produced. If one company controlled all the mines in Yukon there would be a greater probability of all the mines shutting down during a recession than if the mines were controlled by several companies. A big company can provide hundreds of jobs. However, because of large overheads, it cannot easily adjust its size of operation in response to changes in demand. A large downturn in demand is therefore likely to lead to a total shutdown. A small company provides few jobs but can more easily adjust its scale of operations. This is particularly true of placer operations. This is a major

factor explaining why placer mining did not suffer nearly as great a downturn in 1982 as hard-rock mining. Therefore, for the purposes of stability, a range in the size of mines is desirable. An increase in the amount of secondary processing carried out in Yukon would enhance the value-added to Yukon of mineral exploitation.

At the very minimum, Yukon should strive to restore some stability to the economy by first returning to the 1981 level of production and, second, replacing each mine that closes down with a new mine. Thus, if United Keno Hill and Cyprus Anvil return to full production and Amax starts up, then Yukon will be at least as well off as before.

The second objective of the strategy element is to raise mineral exploration to a permanently higher level than has prevailed in the past. The rationale underlying this is that exploration is the fundamental driving force behind the development of new mines. Without any government action there is a very real danger that mineral exploration activity could fall to very low levels during the 1980s (in the order of $10 million a year). A drop in the volume of exploration activity will, in turn, lessen the probability of new mines coming into production. The government should, therefore, take

measures that will both increase exploration in the short-term to fill in the vacuum created by the downturn in private activity and increase exploration activity to a permanently higher level.

Concerted government effort is needed to research the potential of areas mentioned in 5.1 through a concerted mapping and sampling program. Such programs have been carried out in the provinces through joint GSC-provincial department initiatives and have had success in stimulating exploration.

Other measures that should be pursued by government are financial incentives to small exploration companies and prospectors, the establishment of a custom mill to serve small high-grade deposits and the establishment of upgrading facilities for gold. Such measures are part of the Ontario Government's mineral development strategy. Prospectors need special assistance as they are the people who actually go out and find deposits and, at the same time, they are often the people with the greatest cash flow problems.

Finally, and most importantly, measures need to be taken to develop transportation infrastructure in support of mineral explorations and development. The construction of regional resource roads and high quality airstrips and

facilities through areas of high mineral potential would stimulate mineral exploration by providing easier access. Areas of high mineral potential where there is inadequate access are already known (Dawson Range, Ketza Lake, Watson Lake, Keno, MacMillan Pass areas). There are other potential areas, such as the areas north of Whitehorse and northwest of Lake Laberge. Roads that should receive the most urgent priority are a road connecting the Mount Freegold area with the Casino deposit, and the upgrading of the Ketza Road.

Government clearly has a lead role to play in these projects, as mining companies do not have the financial resources to undertake such projects and to shoulder the risk.

This element has high priority. If new mines are to come into production within the next few years, action is needed now. Counter-cyclical action is also urgently needed in order to boost the level of exploration activity from its present slump. Measures taken to boost exploration now should also raise the long-term level of exploration activity.

f) Measures to Enhance the Economic Value of Yukon's Renewable Resources

Measures need to be taken to develop the fishery, agriculture and forestry industries, and enhance the economic value of Yukon's wildlife and recreation resources. Measures will be taken to intensify research in these areas, develop and implement management plans for these resources, improve efficiency, productivity and optimum resource utilization and enhance regional planning capacity. There is considerable potential in the areas of recreation, wildlife enhancement and forestry; the potential for enhancement of agriculture and fisheries to the Yukon economy may be limited. Government, being the custodian of Yukon's renewable resources, clearly has a key role to play in researching potential, removing information constraints and developing and implementing management plans.

Specific measures that may be considered include:

a) Recreation -- the further development of campgrounds, development of Territorial parks and development of recreation areas.

b) A regional planning program designed to fill in information gaps on all renewable resources in order to identify areas of potential land use conflict and to provide the input into management plans for those resources.

c) Enhancing the economic benefits from wildlife through , for example, the development of wildlife management plans, reintroduction of various species in areas suitable for viewing, identification of critical areas where wildlife is becoming scarce, and enhancement of the trapping industry.

d) Enhancing the economic value of the forestry and fisheries industries through detailed inventory studies and the development of management plans.

e) Enhancing the agricultural industry through soil studies, identification of agricultural land potential, and provision of financial and technical assistance.

The potential of the renewable resources sector is not as clearly defined as for the tourism sector and is longer-term in nature. Therefore, in terms of

quick and effective returns, it should have lower priority than tourism, with the exception of the development of the recreation sector which has immediate tourist potential. However, this element should still be high on the priority list as development of this sector would contribute towards diversification of the economic base. Also, it is imperative that wildlife and fisheries management plans be drawn up in order to avoid any possible depletion of stocks through overharvesting.

g) Elimination of Energy and Transportation Constraints

The thrust in addressing Yukon's energy situation should be to ensure that energy is used efficiently and reduce where possible Yukon's reliance on external energy sources of supply by developing viable Yukon energy sources. Not only should Yukon's energy situation be looked at as a constraint but also as an economic development opportunity. Developing Yukon's own energy sources will reduce the constraints to development and reduce economic leakages by injecting millions of dollars into the economy presently being spent elsewhere. The investigation of alternative energy forms and the development of the energy

conservation industry will themselves provide income and employment opportunities within Yukon.

The Yukon Government is in the process of assessing the various energy alternatives with the objective of identifying those that have potential for development. Once this task has been completed realistic energy forecasts need to be developed in order to determine which alternatives should be developed.

Government will be required to take the lead role to demonstrate alternative energy viability, as well as its benefit to the Territory. Specific measures that should be taken to enhance energy planning capacity and reduce dependence on hydrocarbons include the following:

- transfer of NCPC head office to Whitehorse and forgiveness of NCPC debt;
- allow NCPC more financial flexibility to plan and construct new power stations so that they are ready when needed;
- more funds to accelerate energy conservation measures and identify and develop alternative energy supplies, including financial assistance to the private sector;
- development of small energy sources around communities;

- replacement of diesel generators through new hydro sites.

Although the energy situation may not appear to be critical at present, the high cost of energy relative to the south still represents a major constraint to development. If the economy picks up, then diesel fuel may once again be used for power generation and hydrocarbon prices may again begin to climb. Therefore, planning needs to start as soon as possible in order to remove energy as a major constraint to development.

It is also important that measures be initiated as soon as possible to alleviate Yukon's transportation constraints. It is vital for Yukon's future economic development prospects that a cost-effective surface transportation system be in place. At present it is not clear what that system is. Therefore, the first priority is a full-scale inquiry to determine the most cost-effective method of shipping goods to and from the Yukon, both now and in the future. The CTC has just announced such an inquiry. The conclusions of this should determine inter alia the future of the White Pass Railway, whether the railway will be extended, or whether the Skagway-Carcross Highway should be opened to

truck traffic. It is also vital that a method be found to transport workers to and from the Beaufort Sea area. Measures to induce oil companies to do this might include the granting of subsidies to the airlines or the companies.

h) Measures to Increase the Quality of Life in Communities and Enhance the Development Opportunities of Communities

If the Yukon economy is to develop it is important that:

a) Business development not be hindered by lack of infrastructure or services in communities, for example, a lack of industrial land.

b) A skilled labour force be encouraged to live and stay in Yukon's communities in order to provide greater stability and lower labour turnover costs.

c) Present residents of Yukon's communities have the basic infrastructure, amenities and services necessary to enable them to participate in economic development opportunities.

Under the regular Capital Budget, funds are already provided for basic infrastructure and services in communities. Most communities also have adequate air facilities. Extra measures need to be taken to ensure that funds are available to meet special infrastructural requirements, either to facilitate establishment of businesses or to enable residents to benefit immediately from a particular development (e.g., lengthened airstrips, improved housing). A special infrastructure fund could be provided for this purpose. Extra measures are also needed to improve the quality of life in those Yukon communities which will be the centre of development opportunities. Aesthetic deficiencies and deficient or aging recreational, cultural and heritage facilities and activities, and deficient social and health amenities were discussed earlier. A special fund is also needed to develop these facilities in order to induce people to stay longer in Yukon. The communities that have been identified as "strategic" growth centres are: Whitehorse (tourism, manufacturing, secondary processing, transportation and distribution centre, capital city), Haines Junction (tourism and regional centre), Dawson City (mining and tourism), Watson Lake (forestry, tourism and regional centre), and perhaps Faro or Ross River. Measures to give Whitehorse the

aesthetic appeal and the activities that a capital city should possess would also induce people to stay longer.

This element, though important, is perhaps not as important as the other elements. The first priority is to ensure that the economic opportunities are realizable and available. Increasing the quality of life in communities will not directly achieve this. However, items in this element should be of top priority, for example, when the absence of good industrial land may present a direct constraint to the establishment of a new business in a community. Another important reason for considering "an enhancement of quality of life" program is that this would have beneficial spin-off effects for the tourist industry. Measures to improve the attractiveness of communities would also have this effect.